Austria	Sch22	Indonesia	Rp3300	Philippines	Peso40
Bahrain	Din0.650	[illegible]	[illegible]	Portugal	Esc120
Belgium	BFr48	Israel	Shk3.50	S.Arabia	Rls7.00
Canada	C$1.00	Italy	L1700	Singapore	S$4.10
Cyprus	C£0.90	Japan	Y600	Spain	Pta145
Denmark	DKr10.00	Jordan	Fils500	Sri Lanka	Rup30
Egypt	E£2.25	Kuwait	Fils500	Sweden	SKr9.00
Finland	Fmk7.00	Lebanon	$L125.00	Switz	SFr2.30
France	FFr6.50	Lux	LFr48	Taiwan	NT$65
Germany	DM2.30	Malaysia	Rls4.25	Thailand	Bht50
Greece	Dr120	Mexico	Pes300	Tunisia	Din0.800
Hong Kong	HK$12	Morocco	Dh6.00	Turkey	L600
Iceland	Kr125	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,671 Wednesday October 19 1988 D 8523 A

ISRAELI POLL
Labour courts the Arab voters
Page 6

World News

Frenchman wins Nobel prize for economics

Maurice Allais became the first Frenchman to win the Nobel prize for economics, for his "pioneering contributions to the theory of markets and efficient utilisation of resources." Page 2

Beirut election fails
Lebanese MPs failed to elect a new parliamentary speaker, plunging the country into a fresh constitutional crisis following last month's failure to elect a president. Page 6

SA activists to leave
Three black anti-aparthied activists who fled from detention to the US consulate in Johannesburg last month will leave the mission on Wednesday, supporters said.

Kahane ban upheld
Israel's Supreme Court rejected an appeal by Rabbi Meir Kahane against a decision by the Elections Committee to ban his anti-Arab Kach Party from the November 1 general election on grounds of racism.

Pakistan alliance bid
Two rival Pakistan political groupings failed to agree a united challenge Benazir Bhutto as principal opposition leader in general elections on November 16. Page 6

Marcos cash ruling
A Swiss judge ruled that millions of dollars sent to Geneva by deposed Philippines President Ferdinand Marcos should conditionally be put at the disposal of the Philippines Government. Marcos lawyers are expected to appeal.

Seoul student clash
Seoul riot police clashed with about 400 students demonstrating against 40,000 US troops stationed in South Korea and demanding the arrest of former President Chun Doo-hwan for alleged corruption.

GCHQ sackings
Four employees at Britain's secret communications listening station GCHQ are to be dismissed for defying a ban on trade union membership.

Death squad charge
The Spanish High Court ordered two police inspectors to stand trial for six attempted murders and involvement in the Anti-Terrorist Liberation Groups' death squad war on Basque separatists.

Hurricane Joan
Hurricane Joan – the first to hit the Caribbean since big brother Gilbert killed more than 150 people last month – moved toward the Nicaraguan coast from northern Colombia and Venezuela.

Youngest victim
Israeli troops in the occupied West Bank shot dead a five-year-old Arab child, the youngest victim yet of the 10-month-old Palestinian uprising.

Dukakis in Michigan
US Democratic presidential candidate Michael Dukakis, his support plummeting in opinion polls, toured industrial cities in Michigan as part of a strategy to win key states. Page 4

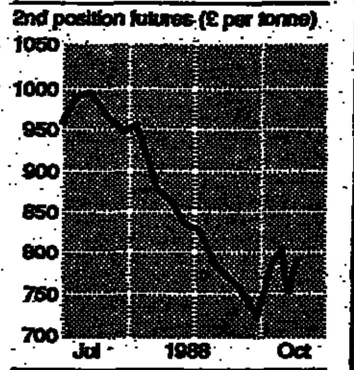
Financial killing
Kazuo Kengaku, a Japanese fund manager known for his investment skills and his connections with organised crime, was found dead buried in a lump of concrete. Page 6

Business Summary

Appeal Court rules on UK insider dealing law

BRITAIN'S Court of Appeal ruled that people who deal in shares on the basis of what they know is unpublished, price-sensitive information are guilty of insider dealing, no matter how the information came into their possession. Page 26

COCOA prices rallied late in the afternoon as prices rose sharply in New York, where rumours were circulating that the projected French financial aid package for Ivory Coast would remove 400,000 tonnes of cocoa from market. Page 46

Cocoa
2nd position futures (£ per tonne)


LONRHO, international trading group headed by Tiny Rowland, said it understood 4.13 per cent of its shares had been acquired by companies associated with Bond Corporation, Australian group headed by Alan Bond, and another much smaller stake – just under 1 per cent – by Australian entrepreneur Robert Holmes à Court. Page 27; Lex, Page 26

BANK of France increased money market intervention rate by a quarter point to 7¼ per cent in defence of the franc, under pressure as a result of strikes in the public sector and rise of the D-Mark against the dollar. Page 28

SCHRODERS, UK merchant bank, offered to take a Fl 300m ($147m) debt or equity stake in Fokker of the Netherlands if the Dutch Government will limit its ownership of the aircraft maker. Fokker met Economics Ministry officials in a bid to dissuade them from raising the Government's stake of 16 per cent to 49 per cent through another rights issue. Page 27

ROBERT Maxwell, British publisher, won preliminary injunction preventing Kohlberg Kravis, Roberts, management buy-out specialist, from completing its rival tender offer for Macmillan, the US publisher. Page 27

PILLSBURY, Minneapolis food and restaurant group, rejected $5.23bn offer for its business from Grand Metropolitan of the UK as too low, saying its present strategy would provide shareholders with better long-term returns. Page 27

SCOTTISH & Newcastle, target of a hostile £1.6bn ($2.72bn) bid by Elders IXL, Australian group, raised stakes by announcing it had taken a 50 per cent stake in Pontin's in a deal which values the holiday company at £85.5m ($150m). Lex, Page 26

CITICORP, America's biggest commercial banking group, reported a further strong advance in the third quarter, reflecting continued progress across all the company's businesses and improved cost control. Page 28

WEST Germany's overall fixed capital formation is expected to rise by around 6 per cent this year, against earlier forecasts of 2.5 per cent. GNP growth is predicted at 3.5 per cent. Page 2

MARKETS

Copper
Grade 'A' cash metal


STERLING
New York lunchtime: $1.762 (1.746)
London: $1.7515 (1.746)
DM3.18 (3.1675)
FFr10.785 (10.8125)
SFr2.67 (2.675)
Y221.75 (222.5)

DOLLAR
New York lunchtime: DM1.80625 (1.80775)
FFr6.1615 (6.1735)
SFr1.52625 (1.52775)
Y126.725 (127.075)
London: DM1.8045 (1.8115)
FFr6.1575 (6.185)
SFr1.5245 (1.5305)
Y126.65 (127.25)

GOLD
New York latest Comex Dec $415.0 (416.5)

STOCK INDICES
New York lunchtime: Dow Jones Ind. Av. 2,139.05 (-1.42)
S&P Comp 277.23 (+0.82)
London: FT-SE 100 1,857.0 (-3.0)
World: 190.94 (Mon)
Tokyo: Nikkei Ave 27,141.98 (-126.76)
Frankfurt: Commerzbank 1,619.8 (+19.5)

OIL
Brent 15-day (Argus) $12.675 (-0.70) (Nov)
West Tex Crude $14.875 (-0.54) (Nov)

INTEREST RATES
US lunchtime: Federal Funds 8 3/16% (8¼)
3-mth Treasury Bills: yield: 7.59% (7.55)
Long Bond: 102 1/32 (same) yield: 8.87% (same)
London 3-month interbank: close 11 13/16% (same)

Nato case supported against Soviet military claims

THE CASE put by Nato that the Soviet Union has provided no evidence of its declared switch to a defensive military posture is strongly backed by the London-based International Institute for Strategic Studies (IISS) in its latest major report, writes David White in London.

The 1988-89 edition of The Military Balance, which the IISS has published for the past 30 years, says: "There have as yet been no discernible force structuring, equipment or training developments in the Atlantic-to-Urals area to support Soviet claims of 'new thinking'...."

The IISS says Soviet conventional forces "not only exceed the reasonable needs of defence ... but are themselves configured and deployed in a fashion which favours high-speed, short-warning, offensive (or counter-offensive) operations."

Marshal Sergei Akhromeyev, the Soviet Chief of General Staff, said recently that Moscow was "taking steps" to change the configuration of its forces in Europe in order to lessen Western countries' concern. However, Soviet officials have said they expect it to take a year to 18 months before new doctrines have been absorbed at field-commander level.

"We have detected no change," Mr Francois Heisbourg, the IISS director, told a press conference on the report. Nor was there any harbinger of change, such as a reduction in the period for Soviet conscript service. There had been developments in other Warsaw Pact countries, notably a reorganisation of Hungarian ground forces, but this did not necessarily indicate a new posture.

The report says there is no sign that the rate of increase in Soviet defence spending has been cut since Mr Mikhail Gorbachev, the Soviet leader, took office.

In terms of military hardware, it says, the conventional arms balance may if anything have worsened over the past year, and the threshold for triggering a nuclear war appears likely to remain "uncomfortably low."

The IISS has upgraded its estimate of Warsaw Pact tank strength in Europe by about 750 to 53,000, with an independent tank regiment ascribed to each of the five Soviet armies in East Germany. It highlights an increase in Soviet self-propelled artillery, although it says it underestimated the figures in previous years. It also shows some 500 more Soviet fighter aircraft than before.

Figures cited for Soviet nuclear-capable battlefield weapons in East Germany have been corrected upwards to seven "Scud" missile brigades, against two mentioned in previous editions.

The major nuclear development, the IISS says, is the deployment on rail-cars of SS-24 strategic missiles, equivalent to the US MX Peacemaker.

The count of strategic warheads on both the US and Soviet sides shows an increase of about 6 per cent since last year. Although the US keeps a total numerical advantage – 14,637 against 11,694 – the IISS says the two forces remain "in rough parity". Neither side is capable of inflicting a disarming first strike and both have so much extra capacity that differences in total arsenals have no strategic significance.

Cuts under the proposed Strategic Arms Reduction Treaty (Start) would be significantly less than the 50 per cent announced, IISS figures demonstrate. Using new counting rules, redefined since the Strategic Arms Limitation Treaty (Salt) talks of the 1970s, it shows that while Soviet ballistic missile warheads would be cut by half, reductions elsewhere would be smaller and in some classes of weapon there would be room for growth.

The US would have to reduce total warheads by 39 per cent and the Soviet Union by 43 per cent to reach the limit being sought of 6,000 on each side, according to the figures.

In a special section on chemical weapons, prompted by their use in the recent Iran-Iraq war, the IISS is pessimistic about prospects for a global production ban.

Nato should consider Soviet use of chemical warfare "as a likely contingency," it says.

Mexico able to draw on US loan ahead of approval from IMF

By Peter Norman, Economics Correspondent, in London

MEXICO WILL be able to draw some of the bridging loan of up to $3.5bn offered to it by the US earlier this week without first having to reach agreement on loan programmes with the International Monetary Fund and World Bank.

A US Treasury official said that Mexico would be able to draw "sizeable" amounts of the loan, which will be provided roughly equally by the Treasury and the US Federal Reserve System.

It is unusual for a debtor country to obtain bridging finance without the provider of the funds having assurances that the borrower will introduce economic reforms under the supervision of the IMF or the World bank.

The willingness of the US to provide Mexico with what could be as much as $1bn in an emergency with the minimum of delay is a sign of the vital political importance Washington attaches to maintaining economic and social stability in its southern neighbour. It also shows that the US Administration believes the Mexican economy has undergone a radical structural improvement in the past two years and is threatened now by external and unforeseen factors such as the recent fall oil prices.

Meanwhile, the IMF and World Bank have opened talks on financial support packages for Mexico.

An IMF official in Washington said a fund mission would travel to Mexico "in the next several days" to discuss providing finance under the IMF's compensatory and contingency financing facility (CCFF). The facility aims to help countries which experience a major external shock, such as the decline in oil prices.

A World Bank team, headed by Mr Shaid Husain, the bank's vice president for Latin America and the Caribbean, has been in Mexico since the weekend. The bank is understood to be discussing granting Mexico a minimum of three large loans worth at least $1.5bn in the World Bank fiscal year that ends next June 30. But it is understood that the scale of World Bank finance for Mexico in 1988-89 could eventually exceed $2bn.

The US said on Monday that it was "prepared to develop a short-term bridge loan of up to $3.5bn, depending on the development of loan programmes by Mexico with the World Bank and the IMF." It emerged yesterday that if Mexico uses the CCFF and the World Bank as its sources of finance it will not have to submit to a tough IMF economic programme.

Officials from both the IMF and the World Bank stress that the separate talks between the two institutions and the Mexican authorities are at an early stage so that it is impossible to say what conditions will be attached to the finance package. It can take around three months before a World Bank loan package is ready for consideration by the bank's board. In the case of the IMF, the Mexicans only raised the possibility of CCFF financing in the past two days and CCFF loans are particularly complex to work out.

IMF officials estimate that Mexico may obtain anything between $300m and $900m from the IMF, depending on how the talks progress and how far it is judged that the oil price fall has hit the country's economy.

The prospect of Mexico obtaining finance from the IMF and the World Bank without submitting to a rigorous economic reform programme has prompted some concern among European members of the IMF that debtor nations increasingly are able to obtain finance from the two bodies on too easy terms. These fears surfaced at the recent annual meeting of the IMF and World Bank in West Berlin when Argentina obtained $1.25bn of World Bank loans without having to agree to an IMF package.

The US, however, takes the view that the European fears about weaker conditionality are misplaced. Despite all the publicity to the contrary, the Argentine package was subject to tough conditions that have delayed disbursement of the funds, they say.

They say Mexico is an entirely different case and has been a model pupil of the IMF, modernising its economy by privatising and diversifying its exports away from oil and has fulfilled its promises to the fund.

Background, Page 4; Favour to a neighbour, Page 24; Editorial comment, Page 24

Stalemate in talks on computer standards

By Louise Kehoe in San Diego

TWO WEEKS of intensive talks aimed at ending a battle over computer standards between the world's computer manufacturers have failed.

Last night, a newly formed group which includes the telecommunications group American Telephone and Telegraph (AT&T) and Unisys, the second largest mainframe vendor, announced a strategy which will bring it into conflict with IBM and other major manufacturers and continue a damaging split within the industry.

The group, which uses the code name "Archer", says it intends to put its weight behind the latest version of the Unix computer program developed by AT&T called System V version 4. Unix is important because it can be used to operate mid-range computers, the fastest growing area of the computer business.

In addition to AT&T and Unisys, the Archer group includes Amdahl, Control Data, Gould, Intel, Motorola, NCR, Prime and Sun of the US, International Computers of the UK, Fujitsu and Toshiba of Japan and Olivetti of Italy.

IBM, on the other hand, is the dominant member of the Open Software Foundation, set up earlier this year, which includes Digital Equipment, Hewlett Packard and Apollo of the US, Nixdorf and Siemens of West Germany and Bull of France. It supports a version of Unix developed by IBM called "AIX".

The battle over whether AT&T's or IBM's version of

Continued on Page 26

Yugoslav leaders agree on reforms and resignations

By Judy Dempsey in Belgrade

YUGOSLAVIA'S leaders – engaged in bitter public recriminations over the country's ethnic unrest – have agreed in principle, behind closed doors, to proceed with wide-ranging moves in the direction of a market economy.

Some consensus has also emerged over which political leaders should step down in response to the wave of worker protests and Serbian nationalist demonstrations which have swept the country.

Controversy is still raging, however, over the future of Kosovo, the southern province at the centre of Yugoslavia's ethnic problems, and its local Albanian leaders whose alleged discrimination has prompted demonstrations by hundreds of thousands of Serbs.

The agreement by federal party leaders to proceed with economic reform was patched up late on Monday night following a series of bitter attacks on the party and system at a crucial Central Committee meeting, which opened earlier that day and is still in progress.

The economic changes are expected to boost the independence of Yugoslavia's enterprises by allowing many of them to raise domestic and foreign equity capital. This requires changes to the constitution, a subject which the 165-member Central Committee is expected to tackle today or tomorrow.

The leaders from the six republics and two provinces who met on Monday are also understood to have agreed on moves to separate the Communist Party and the state, seen by reformers as one of the key steps needed to reduce excessive party influence over the economy.

Several prominent party officials are expected to resign today from the Central Committee on grounds that they already hold government posts.

An informal list of senior Communist cadres who will be asked to stepped down is understood to include many politicians of the older generation who have been criticised for corruption and incompetence.

The consensus over economic reforms, and on some personnel changes, has been clouded by intense acrimony between Mr Slobodan Milosevic, Serbia's powerful and charismatic leader, and Mr Azim Vlasi, an ethnic Albanian politician from Kosovo.

Mr Milosevic, who is campaigning for greater control over Kosovo, has called for Mr Vlasi to resign from the Central Committee, but the Albanian political strongman is being strongly backed in his determination to remain in office by other politicians from his region.

Party officials said the republics of Slovenia and Croatia were reluctant to back Serbian demands for the ousting of Mr Vlasi, fearing that fresh unrest among ethnic Albanians could be triggered.

On the other hand, a new wave of mass protests by Serbs could break out if Mr Vlasi

Continued on Page 26

Philip Morris files legal action against Kraft's bid defence

By Anatole Kaletsky in New York

PHILIP MORRIS, America's biggest tobacco, food and drinks conglomerate, which announced a record-breaking $11bn bid for Kraft on Monday night, yesterday instituted legal action against the Chicago-based cheese manufacturer, while stressing its hopes that it could still turn its unsolicited $90-a-share tender offer into an agreed deal.

The Philip Morris lawsuit, which was filed with a US District Court in Illinois, demanded an injunction against the use of Kraft's "poison pill" anti-takeover defences. It charged that Kraft's directors would be in breach of their fiduciary duties if they precluded shareholders from taking advantage of the tender offer by refusing to cancel the poison pill.

This grants existing Kraft shareholders the right to receive new shares at a steep discount in the event of a hostile bidder acquiring more than 20 per cent of the company and would make any takeover not approved by the Kraft board prohibitively expensive.

Philip Morris officials said, however, that they hoped and expected to persuade Kraft's directors to settle on an agreed merger. They stressed that Kraft was most unlikely to come up with a better alternative to shareholders than the $90 a share in cash which Philip Morris had offered.

This was 50 per cent above the price of $60⅛ at which Kraft shares closed on Wall Street on Monday and nearly double their value of $51 a share in July, before the $5.1bn bid for Pillsbury by Britain's Grand Metropolitan intensified takeover speculation surrounding all food stocks.

Mr Hamish Maxwell, Philip Morris chairman, also stressed that he did not intend to interfere with Kraft's product lines or management. He said he saw Kraft as a natural complement to the General Foods business which Philip Morris bought in 1985.

A combination would create one of the world's biggest food businesses, rivalled only by Unilever and Nestlé. The addition of Kraft's $10bn turnover to Philip Morris's existing sales of $27bn would push the tobacco giant into the number seven position among all US companies.

Kraft, which announced its latest results yesterday, had net income of $148.7m or $1.20 a share in the third quarter. For the first nine months of 1988, its net income from continuing operations was $393.8m or $3.10 a share, compared with $377.8m or $2.76 a year earlier.

Analysts on Wall Street mostly agreed that $90 was a full price to pay for Kraft and the shares settled yesterday moving below the offer price, at $88½. Lex, Page 26, Background, Page 27

CONTENTS

Why the Polish Prime Minister is a man in a hurry

Mr Mieczyslaw Rakowski (left) does not have much time. He has signalled his intention of proceeding rapidly with economic reform and realises that only concrete achievements will earn the support he needs to survive. Page 26

Japan calls for alignment of economic policy

By William Dullforce in Lugano

THE INDUSTRIALISED powers should embark now on the third, more far-reaching stage of their attempt to harmonise their economic policies, Mr Toyoo Gyohten, Japan's Vice-Minister of Finance, urged yesterday.

This had to be a deliberate and concerted effort to achieve structural reforms in the national economy, and would entail altering the character of the US economy to enhance domestic savings and restrict consumption.

Further deregulation in distribution, land-use and agriculture had to be pressed forward in Japan, so that growth led by domestic demand could be firmly installed. In low-growth European countries labour-market rigidity and excessive regulation needed to be removed, to unleash a more dynamic growth momentum.

Mr Gyohten said that the third stage in international economic policy harmonisation could not be a once-for-all measure like the first two stages – the 1985 Plaza accord among the Group of Five to correct the over-valuation of the dollar, and the 1987 Louvre agreement among the Group of Seven to stabilise exchange rates by coordinating macro-economic policies.

To reach a sustainable equilibrium in the world economy, leaders had to aim at changing the basic, behavioral patterns of consumers, businessmen, labour and management and at altering the structure of each economic society.

Moreover, Mr Gyohten suggested, harmonisation among the major countries would be best achieved by negotiation among "a very small number of people at the highest level of policy making."

Discussion had to be totally frank and, since delicate and difficult political compromises would have to be reached, large, open forums would not suit.

The suggestion did not sound very democratic, Mr Gyohten acknowledged, but it was pragmatic, if anything was to be achieved in a world economy still run by independent, national sovereignty.

He was expounding at an international banking symposium in Lugano on the lessons to be drawn from international efforts to co-ordinate economic policies over the past four years.

In addition to proposing that talks be limited to a very small number of people, Mr Gyohten said:

● While it was useful to use economic indicators as a tool to analyse the situation in a given country, it was totally unrealistic to expect that an automatic triggering mechanism based on the movement of the indicators was feasible. Such an idea has been launched among the Group of Seven and work on the indicators has been carried out by the Organisation for Economic Co-operation and Development.

● The burden of adjustments had to be shared fairly between countries running payments deficits and those running surpluses. The climate had been to put the burden on surplus countries and to threaten protectionism against their products.

● The need for policy harmonisation had to be acknowledged "by national consensus including the highest authority in each country."

Bonn clears way for treaty with France

By David Marsh in Bonn

THE WAY forward for the ratification of a treaty between West Germany and France on greater co-operation in defence and economic affairs has been cleared following a compromise in the Federal Republic over safeguarding the independence of the Bundesbank.

However, it is still not certain whether pressure of parliamentary business will allow the treaty to be ratified by the Bundestag before the end of the year, as the Bonn Government has been hoping.

Mr Karl Otto Pöhl, the Bundesbank president, has written to the Government to underline that the central bank's main doubts have now been settled about a Finance Council set up to try to harmonise the two countries' economic policies.

This follows a decision last week to insert a memorandum into the treaty underlining that the Finance Council will be a consultative rather than a decision-making body, and consequently will leave the Bundesbank's statutory autonomy untouched.

Mr Pierre Bérégovoy, the French Finance Minister, last month at the International Monetary Fund meeting in Berlin agreed with this interpretation of the Council's functions.

The Bundesbank would have preferred to see the treaty prefaced by a legally unequivocal preamble stating its autonomy. But it has bowed before the Bonn Foreign Ministry's dislike of a preamble, which would have weakened the political impact of the treaty.

Illustrating Mr Pöhl's wish to play a constructive role in participating in the Council – which has already held three full meetings since March – the Bundesbank has consequently settled for the less forceful form of words set out in the memorandum.

The Bonn Government originally wanted the treaty, which also sets up a complementary Defence Council, to go before the two countries' parliaments this autumn. But a delay until next year cannot be ruled out as Bundestag's committees though which it has to pass already have a considerable volume of work.

Poll boost for Finnish coalition

FINLAND'S right-left coalition Government received a clear mandate in municipal elections on Monday, although the biggest winner was the opposition Centre Party, writes Olli Virtanen in Helsinki.

The elections were for Finland's 444 city and town councils, but they also marked the first real test for the four-party coalition Cabinet led by the Social Democratic Party (SDP) and the conservatives (Kokoomus).

The SDP defied opinion polls by gaining 25.3 per cent of the popular vote, up 0.5 points.

West Germany sees big jump in investment

By David Marsh in Bonn

WEST GERMANY is seeing a modest investment boom on top of its better than expected growth prospects for the year.

Overall fixed capital formation, seen by the Economics Ministry in the early summer as rising by only 2.5 per cent this year, is now forecast to increase by around 6 per cent, made up of increases of 6 per cent in investment on plant and equipment and 5.5 per cent on construction. "It's a great surprise," said one official yesterday.

For several years, flagging capital investment, linked to apparent weakening of entrepreneurial activity among companies and, above all, difficulties in the construction industry, has held back the Federal Republic's performance.

During the past few weeks, Bonn officials have been poring with pleasure over their computer print-outs as a much better picture has emerged of this year's gross national product, which is now forecast at 3.5 per cent. At the beginning of the year GNP was forecast by the Government to rise only 1.5-2 per cent.

Better prospects reflect above all the surprising buoyancy of the world economy in 1988. Growth in industrialised countries is now thought likely by the Organisation for Economic Co-operation and Development to be around 4 per cent this year, a full point higher than the OECD was forecasting as recently as June.

On top of already steadily rising West German consumer demand, the positive external influences have fed through very quickly in boosting exports, now predicted by government economists to grow by about 6 per cent in real terms this year.

WEST GERMAN CAPITAL INVESTMENT (annual average real % change)	Companies	Housebuilding	Public sector	Total
1960-70	4.8	2.8	7.7	4.4
1970-80	1.9	1.4	-0.3	1.4
1980-87	1.5	-2.3	-1.9	-0.1

Source: Economics Ministry

Because of the extreme openness of the economy, where exports make up around one third of GNP, strong demand on world markets for the country's specialised capital goods seems to have sparked a new bout of confidence through the whole economy.

Additionally, expansionary monetary growth – the Bundesbank significantly overshot its money supply targets in 1986 and 1987 – and this year's budgetary stimulus through DM14bn (£4.3bn) of tax cuts at the beginning of the year appear to have come through at last in stimulating demand.

The current economic buoyancy makes the expected slackening of growth next year – when fiscal policy is planned to tighten markedly – appear much less problematic. Officials are now predicting with confidence that growth will be around 2-2.5 per cent in 1989. This is much better than looked likely earlier in the summer when the OECD, for instance, was forecasting only 1.75 per cent.

Of course, there are potential storm clouds. West German domestic demand this year will grow by around 4 per cent, close to the OECD average, and imports are rising by around 7 per cent.

But overall economic growth is still being too strongly supported by exports, evinced by the 10 per cent increase in the trade surplus.

This could be storing up currency shocks for the future. A sharp appreciation of the D-Mark next year could take some of the smoothness out of the West German upswing. Because of doubts about what will happen to the dollar after the US elections, Bonn officials admit that the degree of exchange rate uncertainty overhanging forecasts for 1989 is unusually large.

Italian and US shop owners sue Benetton

By Alan Friedman in Milan

BENETTON shop owners in the US and Italy have launched civil lawsuits against the Italian clothing concern, accusing it of unfair business practices.

The most serious of the allegations, strongly rejected by Benetton, have been made in the US, where a complaint, filed in a federal court in Oregon, alleges violation of the Racketeer Influenced and Corrupt Organisations (RICO) Act of 1970, including mail and wire fraud and extortion.

Mr Malcolm Hoffmann, the New York anti-trust lawyer who is acting against Benetton, said that RICO had been invoked because he was convinced after his firm conducted a nationwide investigation in the US that the single case he was handling was part of a broader pattern.

In Italy, the lawsuit has been lodged by a Benetton shop owner with the state prosecutor's office in Lecce.

The civil court suits follow reports of dissatisfaction from several Benetton shop owners in the US, Italy and France. Benetton said yesterday that it won a recent court case in Grenoble, while it reached an out-of-court settlement in another case brought by a shop owner last month in the Italian town of Orvieto.

The US suit claims that a Benetton agent misled and threatened a shop owner from Oregon, who is now demanding treble the $500,000 of alleged financial losses.

Benetton's shops are supplied with merchandise by regional agents around the world who are responsible for authorising use of the Benetton name, selling merchandise and ensuring that Benetton sales techniques are used.

Mrs Frances Robertson, the Oregon Benetton shop owner, told the Financial Times that in January 1987 she was threatened by a Benetton agent from another state when she failed to order certain Benetton products. "I was taken into this back room by an Italian and he told me that I should know what Benetton does to people who don't co-operate – they put a store across the street from you and run you out of business."

In Milan, Benetton has denied all the charges and made available to the FT a copy of a confidential brief prepared by Covington and Burling, its US lawyers.

Mr Aldo Palmeri, the Benetton group managing director, said of the US charges: "We are certain that this case will never make it to court. There is no proof of what is being alleged." He acknowledged, however, that the Italian case, in which a shop owner in southern Italy complains that Benetton is guilty of unfair competition by opening several stores in the same area, will come to court on November 7.

Mr Luciano Benetton, chairman of the clothes group, this week sought to play down the legal complaints. "I don't like to have rows," he said. "I have total faith in our system and in 99 per cent of the cases it works perfectly. Here, there might be a misunderstanding. But I would exclude the possibility that any of our agents would have threatened anyone."

However Mr Hoffmann, in New York, said Mr Benetton was mistaken. "We have done a nationwide investigation involving more than 30 Benetton stores in different parts of the US and the threats to run owners out of business are commonplace. The Oregon case is not an isolated one."

Mr Hoffmann said the anti-Benetton case "is based on the theory that Benetton acts through agents and therefore must be held responsible for its agents."

The US complaints have been filed against both Benetton SpA of Italy and Benetton Services Corporation of New York.

In both the US and Italian court suits it is alleged that Benetton has violated the practices which are normal for franchise operators. But Mr Palmer insisted that because shop owners do not pay royalties the Benetton system is not really a franchise system. Mr Hoffmann in New York said "the Benetton network has almost all the characteristics of a franchise and that is exactly what it is."

Benetton's first move in the US will see the company's lawyers acting on October 31 to try to dismiss the complaint on grounds that it is not subject to the jurisdiction of an Oregon court. Benetton's legal brief says that if the litigation continues past the pleading stage, Benetton will assert a counterclaim for defamation against the Benetton shop owner and her New York lawyers.

Back to work for Nobel winner

By George Graham in Paris

THIS YEAR'S Nobel economics prize has been awarded to the French liberal economist, Mr Maurice Allais, for his pioneering contributions to the theory of markets and efficient utilisation of resources, the Swedish Academy of Sciences announced yesterday in Stockholm.

Now 77, Mr Allais has continued to write on economic questions, but his major contributions to economic theory date back to the 1940s and 1950s.

Mr Allais said the SKr2.5m (£230,000) prize would allow him to continue his work, which has been hampered by the fact that he was forced to retire 10 years ago.

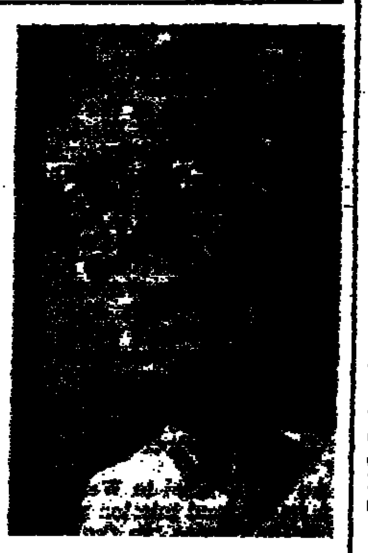
The new Nobel prize winner made three major contributions to economic theory: in work on market equilibrium and social efficiency, on the relationship between interest rates and investment, and in work on utility and risk, through the "Allais paradox", which its author says is today "as widespread as its real meaning is generally misunderstood".

The Allais paradox aims to show the importance of the psychological aspect in risky choices.

His major work "A la recherche d'une discipline economique", republished in 1952 as "Traite d'économie pure," is a complete report on equilibrium and optimum theories. He is also viewed as a major actor in the revival of monetary theory.

Mr Allais is the first French winner of the Nobel economics prize, though Mr Gerard Debreu, winner in 1983, was of French nationality before taking US citizenship in 1975.

Mr Debreu, like other distinguished French economists, such as Mr Edmond Malinvaud, was among his pupils at the Ecole des Mines in Paris.



Allais: retirement at end

Rome faces Community pressure over steel capacity

By William Dawkins in Brussels

THE ITALIAN Government will come under pressure in next few days from other states in the European Community states to make tougher capacity cuts in its state-owned steel industry than Rome has been prepared to countenance.

The European Commission will today to give its views on Rome's rescue plan for Finsider, the loss-making steel company, which went into voluntary liquidation in June and is now being reorganised in a new potentially profitable enterprise, known as Ilva.

Italy wants the Commission's go-ahead to inject up to Ecu4.96bn ($3.2bn) into Ilva, in return for which it is prepared to close a steel smelter at Bagnoli near Naples and five mills, involving 19,900 job losses out of the total workforce of 70,340.

The Brussels authorities will today carefully avoid putting direct pressure on Italy.

However, a majority of member states want the phasing out of at least one more mill, possibly at Bagnoli. This is an area of high unemployment which the Italian government is keen to protect.

Commission officials have had repeated meetings with the Italian authorities since Rome produced its steel rescue plan in June.

The closure of the Bagnoli steel smelter, proposed for July, would remove 3.4m tonnes, or 17 per cent of Finsider's crude steel capacity, but leave Bagnoli's 2m tonne hot rolling mill intact.

The other proposed shutdowns represent 1.2m tonnes, or 8 per cent, of the group's hot-rolled coil and finished steel making capacity, the most sensitive area of the plan because it includes the products where the EC's surplus output potential is heaviest.

Another 708,000 tonnes of cold rolled sheet capacity is scheduled for closure.

More production and jobs will be shifted to private ownership under plans to sell five former Finsider steel plants.

W German health reforms start to bite

By David Goodhart in Bonn

WEST GERMANY, the world's largest per capita consumer of dentures, is undergoing a wave of panic buying of false teeth and spectacles. The cause is a reform of the country's generous but financially undisciplined health system, which is forcing people to contribute more for such items.

The hoarding of teeth and spectacles is stimulating a slight increase in health spending this year – known as "Bluem Bauch" (Bluem's belly) after the health minister Mr Norbert Bluem. But even when the reform "bites", observers expect the savings to be minimal thanks to an assault on the original reform proposals by health interest groups.

The health system costs about DM180bn a year, of which DM125bn is covered by the (average) 13 per cent of each employee's salary – split 6.5 per cent employee, 6.5 per cent employer – which is paid into the various compulsory health insurance funds.

Germany is now near the top of the international health expenditure league, spending about 9 per cent of GDP, and the average salary contribution has risen from 8.2 per cent in 1970 to the current 13 per cent.

Health costs are one reason employers face a non-wage cost bill per worker of 83 per cent of wage costs – up from 49 per cent in 1970 – and there is wide consensus, which includes the unions, that something must be done to contain costs, especially in view of the ageing population.

There is however no consensus on how the burden should be shared, with the consequence that the stronger producer groups – doctors, dentists, pharmaceutical companies – have escaped relatively lightly and the unorganised consumers of health are bearing the brunt.

Yet although the coalition Government has left voters with the impression that it is butchering the system (according to polls 80 per cent are dissatisfied), the cuts are in fact rather small. The Government claims it will save Dm 14bn a year but the health insurance funds say there will be no net savings at all.

The main problem with the German health system is that the controllers of the money, the insurance funds, have insufficient control over the providers of health. They are legally prevented from closing under-used hospitals and seem powerless to prevent administrators and doctors from pursuing their vested-interest to overspend and overtreat – the average stay in a German hospital is 18 days compared with 7 days in the UK.

But it became clear last year, when the coalition ducked an attack on the hospital sector itself, under pressure from the Länder (states), that structural reform had once more been postponed.

It is true that the insurance funds will force down some costs of ambulatory care in direct negotiations with doctors and dentists but increased patient charges, or removal of some services from insurance cover, is easily the largest saving category.

Cyprus talks set for next month at UN

By Andriana Ierodiaconou in Athens

THE CYPRUS President, Mr George Vassiliou, and Mr Rauf Denktash, the leader of the Turkish Cypriot community, will meet Mr Perez de Cuellar, the United Nations Secretary-General, in New York on November 17 and 18 to review the progress of UN-sponsored Cyprus peace talks which were launched last month in Nicosia.

The talks aim to establish a bizonal federation in Cyprus accommodating the island's ethnic Greek and Turkish communities.

They are understood so far to have run up against fundamental differences of philosophy between Mr Vassiliou and Mr Denktash on the nature of the proposed state.

Both men support equality for all Cypriots.

However, while Mr Vassiliou is reported to believe that equality would be best arrived at through the incorporation in a settlement of the principles of democratic government and human rights, Mr Denktash envisages a high degree of physical and constitutional engineering ensuring equality through a system of barriers and special provisions constructed on ethnic and religious lines.

Mr Vassiliou has also brushed aside suggestions that he should desist from international contacts as the head of the recognised Cyprus government, advanced in the talks by Mr Denktash.

Mr Denktash has ruled over the northern 37 per cent of Cyprus since this territory was occupied by Turkish troops in 1974 in the wake of a Greek coup on the island.

Turkish-occupied Cyprus is recognised as a state only by Turkey.

Meanwhile, in Athens, a public quarrel has erupted among the ruling Socialists over a parliamentary investigation into the 1974 events.

Leading Socialists have sharply criticised colleagues leading the "Cyprus file" fact-finding committee for their leaked intention to blame the government of Mr Constantine Karamanlis, which was installed after the Greek junta's collapse over the Cyprus debacle, for failing to dispatch troops to help the republic against Turkey.

A wide body of evidence suggests that such an operation was impossible in military terms.

Spanish prices rise another 1 per cent

SPANISH consumer prices rose another 1 per cent last month, the Finance Ministry announced yesterday. The news is yet another blow to the Government's fight against inflation and has added fuel to a growing row with the trade unions over wage negotiations for next year, writes Peter Bruce in Madrid.

The rise brings accumulated inflation for this year to 4.9 per cent and will probably wreck any chance the Government has of containing price rises to 5 per cent for the year as a whole. That target was established only last month after a 1 per cent price rise in August forced Madrid to abandon its 3 per cent target for the year.

Rising food prices appear to have caused September's poor performance. The August figures led to a modest rise in interest rates.

East Europe's sceptics of glasnost find ways to resist Moscow

Leslie Colitt, in Berlin, explains why the Soviet Union is so reluctant to force reforms on its allies

EASTERN Europe's hardline communist leaderships – in East Germany, Czechoslovakia and Romania – are acting as if the victory last month of Mr Mikhail Gorbachev's reformers in Moscow is irrelevant to them.

The reshuffle of the Czechoslovak party and government leadership last week was a slap in the face for Mr Gorbachev's reform policies. Similarly, Mr Erich Honecker, the orthodox East German leader – fresh from talks with Mr Gorbachev – ordered pro-glasnost remarks to be expunged from Protestant Church publications.

Following his meeting with the Soviet leader a week later, President Nicolae Ceausescu of Romania approved an uncompromising media attack on Hungary for criticising Romania's treatment of its large ethnic Hungarian minority. Old Guard stalwarts in Prague were shifted into new posts and some younger, but equally conservative functionaries entered the ruling presidium of the party.

In sharp contrast to Moscow where Mr Vadim Medvedev, a reformer, was appointed chief ideologist, the same post was given in Prague to Mr Jan Fojtik, a militant hardliner.

While using catchwords of the reformers in Moscow – openness and democratisation – he left no doubt as to his sympathies. He told the central committee that while "some socialist countries" were debating about political pluralism, Czechoslovakia already had "socialist pluralism." Mr Fojtik repeated the word "socialist" for emphasis. Mr Milos Jakes, the Czechoslovak leader, is in no hurry to introduce economic reforms despite an alarming deterioration of the economy. A much-heralded "restructuring of the economic mechanism" is not to be fully introduced until 1991. The reforms are largely designed to halt spiralling subsidies to loss-making firms by making them self-financing.

But company managers will be unable to escape the commands of the party which, in fact, insists that its role in the reformed economy is to be "strengthened." The Czechoslovak leadership believes that there is little risk in going through the motions of economic reform without dealing with the substance. It is convinced that no reforms of any kind will succeed in the Soviet Union.

Prague's scepticism is shared by the leaders of East Germany and Romania. The refusal to reform neo-Stalinism in the two most developed economies in Eastern Europe – East Germany and Czechoslovakia – bodes ill for Moscow's plans to reform Comecon. Without wide-ranging reforms in each member country of the system of management, prices and wages, Comecon will be unable to renew itself, East European economists insist.

So why is Moscow so reluctant to force reforms on its conservative East European allies?

In Czechoslovakia's case, the Soviet Union is afraid that putting undue pressure on the party in Prague would encourage the mass of previously apathetic but non-Communist Czechoslovaks to oppose more actively the orthodox regime. Moscow has not forgotten January 1968, when Mr Alexander Dubcek was hastily approved by Mr Leonid Brezhnev, the late Soviet leader, to take control of the Czechoslovak party and overcome past stagnation.

East Germany too is resisting perestroika and glasnost which the 76 year-old Mr Honecker publicly approves of – but only for the Soviet Union. He claims that the East German party since 1971, the year he assumed power, has seen to it the economy has served the needs of the people.

Moscow appears to take seriously the East German argument that introducing wide-ranging reforms in East Germany at this time could be used by the West to "destabilise" and detach it from the Soviet Union. Mr Gorbachev, addressing the visiting East German leader on September 28 said that although "much" had been achieved in economic ties with East Germany the pace lagged behind requirements. He had just spent more than two hours visiting a sprawling East German economic exhibition in Moscow with virtually the entire Soviet Politburo. The Soviet leader was proudly shown the first one-megabit microchip to be made in Eastern Europe, a product of the Carl Zeiss Jena company, and was told by Mr Honecker that "we are working on a 4 megabit chip."

Visibly impressed by what he called this "balance sheet" of socialism on German soil, Mr Gorbachev nonetheless recalled in his banquet toast that they had spoken several times that day about perestroika. Information about the Soviet reforms was important not only for the "German comrades." The Soviet leader reminded his East German guest that the Soviet Union and its allies had a "common fate" and that great changes in each country had an effect "one way or the other" on the situation among friends and allies.

Despite the obvious warning, the Soviet news agency Tass insisted that the results of the East German leader's visit proved that Western newspaper reports about disagreements between the two countries were "contrived."

Mr Gorbachev's message for Mr Nicolae Ceausescu, delivered recently at an official banquet for the Romanian leader in the Kremlin was considerably more blunt. In an obvious reference to Romania's much-criticised human rights record, the Soviet leader insisted on the observance of "legality and the rule of law" in every country. While recognising Romania's right to choose its own path to socialism, he noted that although the success of each socialist country was a common ideological achievement, the "failure of any can, unfortunately, mean a common setback too." The Soviet Party was "deeply aware" of its internationalist responsibilities. Perestroika, he emphasised would "definitely succeed."

Yet despite such divisions, the communiqué at the end of their meeting was remarkably bland. It even praised growing trade between the two countries although mutual trade fell 10 per cent last year to roubles 2.5 bn ($4bn), largely as a result of a sharp reduction in Soviet oil deliveries to Romania. Soviet trade officials complain about the low quality of Romanian industrial goods while the Romanians note that as a result of Mr Gorbachev's anti-alcohol campaign exports of wine to the Soviet Union dried up totally last year.

The joint Soviet-Romanian communiqué sought to gloss over their sharp ideological differences by noting that both leaders had expressed their "complete satisfaction" over the state of Soviet-Romanian relations. Romania's news agency Agerpres reported that the talks with Mr Gorbachev took place in an atmosphere of "warm friendship, comradely sincerity and mutual understanding."

Mr Gorbachev, unlike the late Mr Brezhnev, is unlikely to be drawn into a war of words, and certainly not a showdown, with the combative Romanian leader. Despite the embarrassment which Romania represents to the reform-minded Soviet leadership it nonetheless occupies a peripheral place in the list of Soviet priorities.

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WORLD TRADE NEWS

Asean issues warning on Gatt talks

By Peter Ungphakorn in Pattaya, Thailand

ECONOMICS ministers of the Association of South East Asian Nations (Asean), concerned that they may fail to achieve their aims at the Uruguay round of international trade negotiations, have agreed on a common stand for the talks' mid-term review in December.

After a two-day meeting, the ministers from Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand issued a strongly-worded statement directed at the US, EC and Japan.

They said failure to achieve tangible results on tropical products and agriculture would jeopardise the credibility of the Uruguay round and lead to further deterioration in world trade in agricultural products.

They also signed an agreement to promote the production of cars using regionally manufactured components. Mitsubishi Motors of Japan is particularly interested in the programme, partly in order to develop a new base for exporting to North America.

Yesterday Datin Paduka Rafidah Aziz, Malaysian Trade and Industry Minister, indicated that Asean would bargain with other signatories of the General Agreement on Tariffs and Trade (Gatt) in order to secure more concessions from the industrial countries on tropical goods and a firmer commitment to phase out or reduce subsidies and trade barriers in agriculture.

Adopting a conciliatory tone, she nevertheless said Asean might link these two areas to issues of intellectual property rights, surveillance mechanisms for ensuring Gatt is enforced and other matters related to the functioning of the Gatt system.

Asean is uneasy about what members see as the increasing tendency to horse trade between the many issues being negotiated in the Uruguay round.

Mr Jose Concepcion, Philippines Trade and Industry Secretary, charged that concessions being offered developing countries as producers of tropical products are not of interest to Asean members.

Asean does not want the Uruguay round to develop into a North-South confrontation. But its members are concerned that Gatt should not live up to its reputation as a battleground for rich nations in which the developing countries get hurt, particularly in the agricultural subsidy war.

Thailand, Malaysia, the Philippines and Indonesia are also members of the Australian-led Cairns Group of 14 agricultural exporting nations. Asean has now formally endorsed the group's proposal for trade-distorting farm subsidies and trade barriers to be reduced in the short run and eliminated eventually.

Datin Paduka Rafidah described this as a way of compromising between the positions of the US, which wants subsidies scrapped by a specific date, and the EC, which prefers partial, short-term measures.

The Asean agreement on car component production was made possible after a change of heart from Indonesia. The agreement encourages the production of components in two or more member countries for assembly into complete cars in those countries. The main incentive is a halving of import duties on those components when shipped between participating countries.

Indonesia has its own programme aiming for complete local production by 1992 and was unhappy about the Asean plan. It has now signed the agreement but will not need to participate in any way at least until that year.

Mitsubishi wants to make its components in Malaysia, Thailand and the Philippines. It is already participating in the Proton Saga, Malaysia's national car, and exporting Lancer cars assembled in Thailand to Canada where they are sold as Chryslers.

A challenge for high-tech censors

Peter Montagnon sees problems looming for those trying to stop sensitive technology reaching the Soviet Union

THE European Community's plan for a single internal market by 1992, along with economic and political reform in the Soviet Union, have begun to pose a challenge to Western officials engaged in preventing sensitive technology reaching the Soviet Union.

Trade experts agree that both developments pose fundamental questions for the future operation of the 16-nation, Paris-based Co-ordinating Committee on Multilateral Export Controls (CoCom). The US has campaigned vigorously to ensure that export controls are not relaxed, believing that they have helped maintain the West's technological advantage.

Yet CoCom itself, which groups Nato countries minus Iceland and plus Japan, is moving only slowly to confront the issues. Though they will loom large in the background at its twice-yearly executive committee meeting in Paris next week, officials warn that the meeting is unlikely to produce much change.

Theoretically the EC's 1992 project should drive a coach and horses through the system of national controls under which CoCom operates. Because the barriers to trade within the EC will come down it will be impossible to police sales of sensitive material within the EC. The US worries that this will create an escape route for European technology to be sold to the Soviet bloc via countries such as Greece and Portugal which are lax in enforcing export controls.

Its demands for tougher enforcement come as many businessmen in Europe, particularly in West Germany, have begun to question the need for continued rigorous controls. They believe CoCom hampers the development of East-West trade and its restraints are increasingly unnecessary in the new climate of detente.

So far CoCom has responded by trying both to streamline its list of sensitive industrial items and to beef up enforcement procedures in a way that would allow controls to be progressively dismantled for internal trade among CoCom members. But despite the creation of the executive committee earlier this year to oversee this process, there is agreement on both sides of the Atlantic that progress has been slower than intended.

Paradoxically the US sanctions against Toshiba of Japan for selling to the Soviet Union technology for use in the manufacture of ultra-quiet submarine propellers have led to greater awareness of the need for better enforcement as well as cries of outrage at the political level.

Not only has Japan tightened up its own official arrangements. Businessmen in other CoCom countries say they have been scared by the affair into reinforcing their own internal vigilance. But the US remains worried by what it sees as laxness among some CoCom members which led, for example, to the arrest last January of four French businessmen on a charge of exporting highly sensitive electronic material to the Soviet Union.

Its continued search for a rigorous and harmonised system of controls and enforcement have put it at odds with some of its allies who would prefer each country to continue to operate a national system along individual lines.

Its plan would include more frequent use of delivery verification checks as part of a barrier-free CoCom, but this has created worries in Europe of outside interference.

Some are also worried that a harmonised system could place too much responsibility for export controls in the hands of the European Commission in Brussels after 1992 in a further dilution of national sovereignty in Europe.

European businessmen are sceptical about fears that lax controls in Greece and Portugal would create new risks after 1992. "The reality is that high-technology exports leaving Greece and Portugal would have to stick out like a sore thumb," said one.

The US will shortly have to pronounce on the enforcement practices of individual CoCom members under the recent trade bill which mandated a 90-day study of their systems as part of a plan to eliminate export licences to CoCom members which operate an "effective control system."

Mr Allan Wendt, the State Department official responsible for strategic technology trade, says the Administration has not yet decided how to handle this issue, but he says the US still wants to make CoCom more effective through better enforcement and streamlining of the list of restricted products. "The US has entered into that effort with determination and good faith – and that will continue," he says."

Though the US has made progress towards eliminating obsolete industrial items from the controlled list, industrialists say the effort among European governments has been less concerted. The West German Foreign Ministry acknowledged that it was "laborious." It said Bonn agreed with its CoCom partners that CoCom should be strengthened through cuts in the list of proscribed material and better enforcement procedures. There is little doubt, however, that pressure is growing in German industry for a more radical overhaul.

The chances of such a process being set in train at the forthcoming executive committee meeting are slim.

Not only does the US continue to regard its relationship with the Soviet Union as basically adversarial; it is not even ready to consider relaxing the special restrictions applied to the Soviets because of the invasion of Afghanistan. The Soviet timetable did not envisage complete withdrawal before February 1989 and it is not certain that even that will be met, Mr Wendt said.

Meanwhile, the operation of export controls could become even more complicated in future as the emphasis switches to technology transfer through joint ventures rather than the sale of individual specific products.

Issues like this could contain the seeds of a deeper disagreement between the US and its allies. European officials believe this month's committee meeting will be low-key, not least because of the imminent US election. What happens afterwards could be different, though much depends on the attitude of individual key officials in the next US Administration.

Recovery in shipbuilding forecast

By Kevin Brown, Transport Correspondent

SHIPBUILDING demand is likely to start rising this year after around 12 years of decline, the Association of West European Shipbuilders (Awes) says in a report today.

It forecasts world shipbuilding completions rising to 8.8m compensated gross tonnes in the year to next June, and staying at that level until 1990. This compares with 8.1m cgt in 1987/88. Completions are expected to average 12.5m cgt between 1990 and 1995, and to rise an average of 16.9m cgt from 1995 to the year 2,000.

Awes warns, however, that the improved prospects depend on continued reductions in Japanese and South Korean shipbuilding capacity.

The optimistic conclusions of the report confirm similar forecasts by individual shipbuilders, many of which have incurred big losses in recent years because of fierce competition in a declining market.

The report puts world economic growth at between 2.3 and and 4 per cent from now to the end of the century.

Awes says world seaborne trade in all major cargoes will increase steadily, leading to an initial demand for existing surplus tonnage, and subsequently to increased demand for new ships.

At the same time, the rate at which tonnage is scrapped is forecast to rise from 22m deadweight tonnes last year, to 27m dwt by 1995/2000. The increased rate of scrapping is largely accounted for by the ageing of the world fleet, together with the effects of technological changes.

1988 Review of Global Shipbuilding Requirements to 2,000, Association of West European Shipbuilders, An Der Alster 1, 2,000 Hamburg 1, W Germany.

Australian groups link to seek defence electronics contracts

By Chris Sherwell in Sydney

A NEW government-backed defence electronics company has been created in Australia to bid for local contracts which are traditionally won by international groups and to compete for export orders.

Formation of the Adelaide-based company has been promoted by the South Australian state government.

It links the technology group AWA, formerly Amalgamated Wireless Australasia, with the state's Superannuation Fund Investment Trust, and will include the interests of Thorn EMI Electronics Australia and Fairey Australia.

Known as AWA SA Defence Industries, the new group will have expertise in electronics, optics and acoustics, and the technical, financial and managerial capability to be a prime contractor for major projects.

It says it will be participating in four existing defence contracts worth A$12.5bn (£5.8bn) – for new submarines, new frigates, the FA-18 Hornet fighters and the Black Hawk helicopter – and will bid for a further A$1.3bn in contracts to supply electronics defence systems, including the Jindalee over-the-horizon radar.

"We have taken a once-only opportunity to draw together Australia's fragmented talent base in defence electronics and create a single substantial Australian supplier with the skills, size and financial strength to compete as a prime contractor for the larger defence contracts traditional performed by international players," Dr Peter Crawford, AWA's managing director, said.

"The new group will compete vigorously to win a large share of exports of Australian defence-related equipment which, under new defence export principles, are projected to increase to A$500m per year within five years," he added.

He claimed some multinationals were already vying for collaborative arrangements with the new group.

Involvement of the Thorn EMI subsidiary springs from the parent company's decision to sell its 70 per cent interest. The Superannuation Fund Investment Trust, which holds the other 30 per cent, has preemptive right over the stake and is injecting it into the consortium.

The Trust will do the same with Fairey Australia, which it bought recently to prevent it being sold elsewhere. Together with various AWA interests and Thorn EMI's Canberra-based software group C3, the consortium will have an estimated annual turnover exceeding A$100m.

AWA will hold 65 per cent of the venture and the Trust 30 per cent. The workforce will number about 1,000.

Mr Kim Beazley, Defence Minister, welcomed formation of the consortium.

Seoul lifts more trade barriers

By Maggie Ford in Seoul

FOREIGN businessmen have welcomed new rules issued by the South Korean government which lift barriers on the marketing of imported products, previously restricted to local trading companies.

The move follows pressure from Washington and Brussels on South Korea to open its market to reduce trade surpluses.

Despite past easing of restrictions ranging from outright bans to high tariffs on many products, businessmen have complained that the controls on trading have in effect meant that the market remains closed.

Under the new rules, foreign subsidiaries or joint ventures in South Korea will be able to import and distribute all but 12 restricted items. These include agricultural products, fuels, books and newspapers, alcohol, works of art and agricultural chemicals.

In the past all imports of finished products have been in the hands of South Korean trading companies. Joint ventures involved in manufacturing were allowed to import machinery and some raw materials but those not involved in industry were banned from trading at all.

Businessmen expressed caution that the government could still impose underlying restrictions in areas such as customs, inspection and package regulations. Most felt, however, that the Government's move did involve a commitment to genuine free trade.

"It's a very promising trend," said one trader. "Japan and Taiwan lifted these restrictions years ago. It will have a good effect on consumer prices and help the South Koreans reduce the inflation rate through cheaper imports."

The move is also likely to introduce a wider range of higher quality foreign products to South Korea.

Chile business confidence bounces back

By Barbara Durr in Santiago

CHILE's stock market and parallel dollar rate have largely returned to normal following the defeat of General Augusto Pinochet in a plebiscite earlier this month. This is being interpreted as a sign that the business community's confidence remains firm for the moment. There were fears that the defeat could have provoked financial chaos.

According to Santiago's Chamber of Commerce, the parallel dollar has bounced back to pre-plebiscite levels. It now hovers around 290 pesos, after shooting up to 320 pesos the day after the vote. The stock market, where the 40 most actively traded shares plummeted 16.7 per cent on that day, has resumed its upward climb and share values have largely recuperated.

Sounding upbeat about Chile's future, Mr Manuel Feliu, president of Chile's most important business association, the Confederation of Production and Commerce, said: "Democracy is the best system for private enterprise."

But he cautioned that new project and investment decisions could be delayed until the picture is clearer

Mr Feliu and other business leaders have said that the current uncertainty stems from a lack of clarity about the opposition's economic programme. While the 16-party opposition coalition has assured businessmen that it intends to build on the positive parts of the Pinochet regime's economic model, such as balanced budgets, low inflation, continued growth and openness to foreign investments, it has been short on specifics.

The opposition has focused far more of its energies on its political programme. Its joint statements on the economy have generally stuck to the safe ground of macroeconomic issues.

But there have been hints, particularly on wage increases, changes in labour and mining laws and a halt to privatisation, that there could be significant disagreements among its ideologically diverse members on how the economy should be managed if they win next year's presidential elections.

General Pinochet: loser at the polls

An editorial in Santiago's main business weekly newspaper, Estrategia, said "a large slice of responsibility now falls on the politicians, who must give economic actors adequate signals of confidence and security so that they can continue working and investing." If the opposition does not give such assurances, it warned that businessmen could become exceedingly prudent on medium and long term investment decisions.

Such assurances, however, are unlikely to come until the opposition decides on who is to be their presidential candidate.

Mr Jaime Ale, director of studies for the Society of Manufacturing Promotion, suggests that political uncertainty in the run-up to the plebiscite already in fact slowed investment decisions.

He notes that the rate of imports of capital goods has declined between January and August this year to 20.8 per cent compared to 44.2 per cent for the same period last year.

Though growth is expected to run about 6 per cent this year, Mr Ale said regarding 1989 "we will grow but at a lower rate than what the conditions of the country really permit.

According to government projections, Chile's gross national product is expected to expand next year by just 4-5 per cent.

Dukakis battles on as Bush widens lead

GOVERNOR Michael Dukakis, trailing in opinion polls, campaigned in Michigan yesterday under his strategy of concentrating on key states in the US presidential election, agencies report from Washington.

Vice President George Bush, his Republican rival, meanwhile, plans little respite to his campaigning for the November 8 election despite his big lead in polls.

An NBC-Wall Street Journal poll of 1,378 likely voters released on Monday showed Mr Bush with a 17 point lead over his Democratic challenger. He had the support of 55 per cent of those polled, compared with 38 per cent for Mr Dukakis and 7 per cent undecided.

Such a lead would probably give Mr Bush 303 votes in the electoral college – which actually chooses the President – against 105 for Mr Dukakis.

Other recent polls have shown Mr Bush with a solid hold on more than 200 electoral college votes compared with fewer than 100 for Mr Dukakis.

Mr Dukakis has opened his new offensive – aimed at 20 heavily populated states – in the industrial Midwest. He targeted the economic problems of Ohio, Michigan and Illinois, known, as their heavy industries close, as the "rust belt."

He told factory workers in Dayton: "Every week we lose thousands of manufacturing jobs."

The trend would continue if Mr Bush became President, he said. "His record tells America's heartland 'Let it rust'."

Mr Bush, wary of over-confidence, toured a defence plant at Denver, Colorado. He promised military researchers that, as President, he would press ahead with the controversial Strategic Defence Initiative known as "Star Wars" and other strong defences.

Mr Bush, who has said he would balance the federal budget by 1991 or 1992, said: "We do not need major increases in defence spending nor can we afford major decreases."

Later the Republican candidate stood in a rainstorm in Skokie, Illinois, to tell Jewish voters: "I am committed to the survival of Israel. It has survived. It will survive."

Amazon law suit ruffles feathers in Brazil

By Ivo Dawnay in Rio de Janeiro

A CONTROVERSIAL legal action against two Amazon Indian chiefs and an American anthropologist has exploded on to the front pages of Brazil's newspapers after a federal judge refused to hear testimony from a defendant because he was not dressed in "civilised" clothes.

Cubei, heir to the chiefdom of the Amazonian Caiapos tribe, had arrived at the Belem court house with 400 warriors, arrayed in their traditional uniform of feather head-dress, jewellery, red and black war-paint and machine-made cotton football shorts.

When told he must return in trousers and shirt if he wished to be heard, Cubei declared the decision to be cultural arrogance and returned with his tribesmen in a convoy of buses for his village on the Xingu river.

So skilled, however, was the defendant's public relations (Cubei is said normally to prefer jeans), that it has somewhat overshadowed what Indian rights' lobbyists claim is a classic example of the patronising and contemptuous behaviour of the Brazilian government to its indigenous people.

Cubei, his friend, Paulinho Paiacan and Dr Darrell Posey, an ethno-biologist, are facing charges under the so-called "Foreigners Law" – a statute that carries jail sentences of up to three years and possible deportation to those proved to have deliberately damaged Brazilian interests abroad.

The actions were brought after Dr Posey had travelled with the two Indians to Florida in January at the invitation of an academic symposium on tropical forest management. According to Dr Posey, they were then invited by US Indian rights groups to Washington to present their case to the World Bank and other influencial bodies against Brazilian hydro-electric schemes, scheduled for the Xingu river area.

On their return to Brazil, all three were charged by Justice Ministry prosecutors with damaging the reputation of Brazil. It is alleged against Dr Posey that he manipulated the Indians into making the visit in order to make difficulties for Brazil's hydroelectricity programme.

Local press reports have claimed that the US visit played a major role in delaying the conclusion of a $500m World Bank power sector loan – a claim denied by Bank officials this week.

The defendants and their supporters say that the Government has brought its charges to intimidate other Indians from making their case for the protection of their tribal homelands from dam projects.

After last week's incident, Cubei has launched a legal action against Judge Iran Velasco Nascimento for racism, in breach of Article 5 of Brazil's new constitution.

The judge, meanwhile, has ordered psychiatric reports on the Indians to assess their level of "acculturation" or integration with non-Indian society. Brazilian Indians' rights to land and other privileges are forfeit if it can be established that they have attained a certain level of integration with the mass of society.

The case has now become a *cause célèbre* both within and outside Brazil and was raised by the British rock singer, Sting, this month during the international human rights concert tour organised by Amnesty International.

The Brazilian authorities have long been angry at what they see as continual foreign interference in the country's internal affairs by anthropologists, missionaries and lobby groups.

Earlier this month, Survival International, a London-based Indian rights group, organised demonstrations outside 13 Brazilian embassies in protest against plans to reorganise territories of the Yanomami tribe on the North-Eastern border of the country.

Insurer warns over forced premium cuts

By Nick Bunker

MERCURY General, a medium-sized insurance company in Los Angeles, has become the first US insurer to say it faces insolvency if voters in California next month approve a measure backed by Mr Ralph Nader, the consumer rights advocate, calling for mandatory 20 per cent cuts in motor insurance premiums.

Mr Keith Parker, Mercury's chief financial officer, said the measure would cut its revenue by an immediate 30 per cent, and deplete its capital to the point of insolvency within 15 months.

Recent polls have shown that the Nader-backed proposal, known as Proposition 103, is the most popular among five insurance-related initiatives due to appear on the state's ballot papers on election day, November 8.

All five are aimed at reducing the high cost of motor insurance, which has reached crippling levels in the most densely urbanised areas of Los Angeles in particular.

Earlier this year, Ms Roxani Gillespie, the state's Insurance Commissioner, released a survey showing that in the Inglewood area of Los Angeles a 21-year-old woman would have to pay at least $1,958 a year to insure a standard private car.

Motor insurance has become one of the biggest election issues in California, where the insurance industry has spent more than $43m on a publicity campaign aimed at resisting rate-cutting measures proposed by Mr Nader and by the state's trial lawyers association.

Until Mercury made its announcement however, no insurer had publicly confirmed that the Nader-backed measure's impact would be severe enough to force it out of business.

Mr Parker said the company was especially concerned because it relies on Californian motor insurance for 98 per cent of its premiums.

He said Mercury had made its announcement simultaneously with filing an advance application with regulators for exemption of the rate cuts under Proposition 103, on the grounds of threatened insolvency.

"We are the first company to file," Mr Parker said. "If the proposition is approved the Insurance Commissioner will have to hold hearings about exemptions and we want to be first in line."

The rest of the US property/casualty insurance industry is watching the California ballot propositions with anxiety, because with $29.5bn of total 1987 property/casualty premiums the state accounts for 15 per cent of its total turnover.

Venezuelan front-runner outlines plans

By Ann Charters in Caracas

MR CARLOS Andres Perez, the front running presidential candidate and former Venezuelan president outlined his governmental programme on Monday with priorities placed on making Venezuelan democracy "socially efficient."

With the December 4 election in view, he promised a modern Venezuela where the poor reaped the benefits of development and where the economy is less strapped by the state and more productive.

Mr Perez, who called the country's economic situation a crisis due to its foreign debt and its dependency on oil revenues, proposed the construction of a "new economy oriented towards productivity, competence and equality."

Venezuela should be able to supply domestic markets, pay for imports with its own exports and generate earnings and profits that were compatible with acceptable levels of social well-being.

In what could be an opening for the private sector, he said he would limit the discretionary power of the Government in the economy to "strategic participation" in such areas as promoting private sector exports and in clearly defining the functions of the public and private sectors.

Judge denounces accusations by Drexel

By Roderick Oram in New York

THE FEDERAL judge hearing the huge securities fraud case against Drexel Burnham Lambert has refused to remove himself from the trial, saying that the Wall Street firm's accusations that he was violating conflict of interest rules were bizarre, far-fetched and ludicrous.

In a strongly worded opinion Judge Milton Pollack agreed with the federal government, the Securities and Exchange Commission and plaintiffs in related cases that he should remain on the Drexel case.

"The antics" of Drexel's counsel in attempting to frustrate the filing of the SEC's charges against it "are an affront to the civility which must attend the conduct of litigation," Judge Pollack said.

Drexel, which said it would ask the New York appeals court to force Judge Pollack's removal, had argued that his impartiality could be questioned because his wife is about to gain $30m when her family sells its interest in a department store. Drexel is helping the buyer raise the finance but will have no direct contact with Mrs Pollack.

The SEC's case against Drexel and four senior officers including Mr Michael Milken, the leading figure in its junk bonds operation, is the largest securities fraud case in decades and grew out of investigations into Mr Ivan Boesky.

Drexel's accusations led to heated court room exchanges last week between its counsel and Judge Pollack, who is reputed to be tough on white-collar crime. Despite the adverse rulings so far, Drexel's tactics are paying off, lawyers observing the case say.

The Wall Street firm has managed to shift the focus away from the long list of SEC charges and is possibly delaying the filing of criminal charges against it.

Meanwhile, its counsel have goaded Judge Pollack into angry responses which could weigh in Drexel's favour in the appeals courts.

MEXICO: BACKGROUND TO US LOAN

Steering a skilful course through the debt crisis

Stephen Fidler looks at Mexico's non-confrontational but adept approach to its creditors

FROM the moment of Mexico's announcement in August 1982 that it could not meet its foreign debt repayments, which marked the beginning of the developing country debt crisis, the country has provided the touchstone for the problem.

In the eyes of those who have followed the crisis, Mexico —whose $100bn of foreign debts make it the second largest debtor in Latin America after Brazil — has probably handled the last six difficult years more skilfully than any of its southern neighbours.

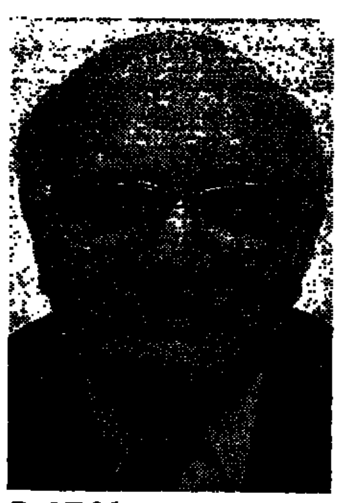
While always keeping the possibility of default very much as a background possibility, Mexico has been among the least confrontational of debt countries. Yet, it has been swift to move to take advantage of any weakness it perceived in the armour of its creditors.

Thus in February 1987, when Brazil confronted its creditors and declared a moratorium on interest payments to banks, it was Mexico which moved quickly to gain most of the advantage from that. It wrapped up $7.7bn in new loans from banks at a interest rate margin of 13/16 percentage point, still the lowest margin obtained by a developing country debtor. Brazil itself was forced to return later to the fold after an exercise in confrontation which cost it an estimated $1½bn to $2bn.

Despite widespread opposition, the country's more than 500 commercial banks were shoehorned into the deal by the US administration and particularly by the then chairman of the US Federal Reserve Board, Paul Volcker.

Indeed, the US card is one Mexico has played several times before the announcement on Monday of a $3.5bn bridging loan. It is a card which Mexico, being the closest geographically to Washington, gets dealt more often than other Latin American debtors, but it is one it must play most carefully because of domestic sensitivity in Mexico to dependence on the US.

Apart from this, Mexico has presented a more unified and



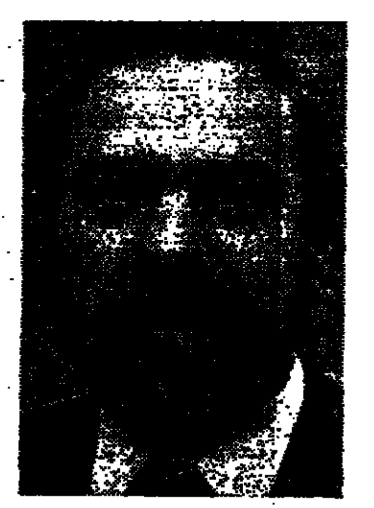
Paul Volcker: pressure on commercial banks

consistent face to its creditors than almost any other country over the last six years. During the entire six years of the Miguel de la Madrid presidency, the president himself been a supporter of economic orthodoxy. Furthermore, the personnel in his debt negotiation team, led by the able and respected Mr Angel Gurria, has changed little. Thus, by contrast with many other states, Mexico's negotiators bring as much experience to the negotiating table as the bankers on the other side of the table.

Mexico has also taken a leading role in development of debt reduction techniques which have now become the vogue. The idea now current among bankers and many debtor governments is that debt reduction will have an important role in alleviating the debt burden of many countries.

Mexico led the way earlier this year with an offering of what have come to be called Aztec Bonds. The bonds, collateralised against 20-year zero coupon US Treasury bonds, were exchanged for discounted debt held by the banks.

Although the issue itself was not regarded as a huge success — $2.56bn of bonds were issued in exchange for $3.65bn of debt and a further $492m of reserves were used up to buy the US zero-coupon bonds — the technique was thought to be usable



Angel Gurria: able head of the Mexican team

elsewhere. The problem appeared to be that bankers were not worried about the eventual payment of principal, but wanted to be certain about the next few years' interest payments. With this in mind and before the recent drop in reserves, Mexico was contemplating another issue.

Being an oil producer, Mexico's economic fortunes — and those of Venezuela — often follow an inverse pattern to those of its oil-importing neighbours. This is one reason why the focus of the crisis appears to swing among the big three debtors, Argentina, Brazil and Mexico.

Despite successful efforts to increase non-oil exports, which rose 40 per cent over the last two calendar years, the country still remains vulnerable to falling oil prices and rising US interest rates. Of course, both happened this year.

The US standby financing should do much to help Mexico over the next few difficult months. But the eternal problem will remain next year: how to ensure economic growth while maintaining net transfers of funds to creditors. Interest repayments alone this year are estimated at $9bn, and next year they can be expected to be even higher.

Mexican sigh of relief at $3.5bn US bridging loan

By Our Foreign Staff

THE Mexican Government yesterday appeared relieved by the speed and willingness of the US Government in providing an unprecedented $3.5bn in bridging finance.

Senior officials said that the agreement, hammered out over the weekend in Washington, represented a highly visible endorsement both of Mexico's economic adjustment policies and of Mr Carlos Salinas de Gortari, who takes over the presidency on December 1.

Mr Salinas's economic team has been increasingly assuming control of the economy since he was confirmed as president last month. Foreign debt has been treated as a priority since Mr Salinas has frequently inferred that Mexico cannot sustain its current level of debt service and resume economic growth. His supporters said he now had a cushion of financial support and could clearly demonstrate that future economic strategy enjoyed the full confidence of the US.

His office yesterday described the loan as unprecedented and said it would help Mexico face unfavourable circumstances over which it had no control, particularly falling oil prices and rising interest rates.

"These resources, added to an excellent level of reserves, will allow the government to face external factors over which it has no control," it said.

The loan offer was "a good sign for advantageous ties which Mexico intends to have with the United States", it added.

The highly secret negotiations and quick conclusion of the broad outlines of the US bridging finance caught the opposition by surprise.

However, the increasingly powerful opposition movement led by Mr Cuauhtemoc Cardenas, the leftist candidate who claims he was defrauded of victory in the July presidential elections, is expected to make political capital out of the deal. Opposition economists indicated yesterday that, even without knowing details of the conditions of this US assistance, Mexico would be further subordinated to the dictates of the International Monetary Fund and World Bank.

A World Bank team is understood to be in Mexico examining fresh assistance. The Bank is already funding structural adjustments in trade policy to the tune of $1bn. It is still not clear whether a mission from the Fund will also be coming to Mexico in the near future.

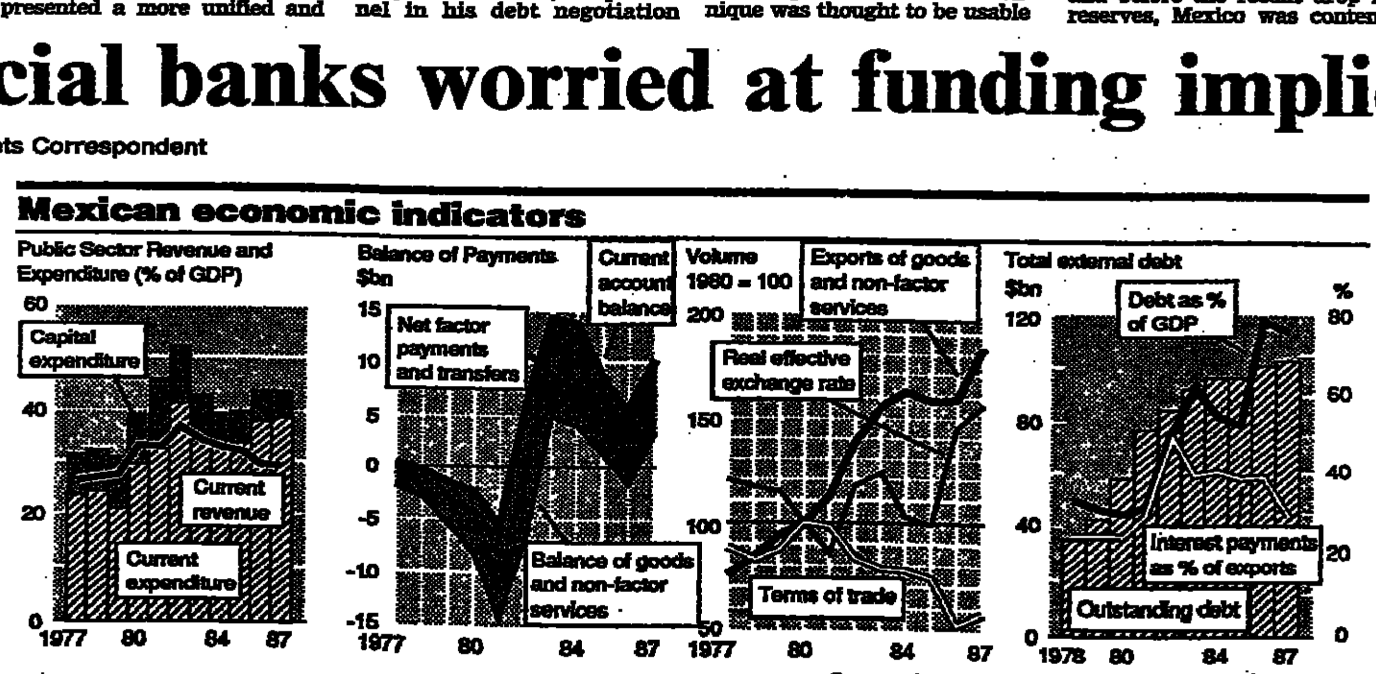
Commercial banks worried at funding implications

By Stephen Fidler, Euromarkets Correspondent

THE SCALE and the timing of the US bridging loan for Mexico surprised most commercial bankers yesterday, and most admitted to mixed feelings about the deal.

While they welcomed the explicit evidence of strong US support for Mexico at an uncertain time, they were also worried that the implication might be that Mexico would soon be tapping the commercial market for funding next year.

Until Monday, most banks believed that Mexico would not need to ask them for funds until late next year at the earliest.



New money

Yesterday, despite the heightened prospect that they would be called on to provide funds, many bankers said they believed that the country would still not need new money for some time from the commercial banks.

Nevertheless, if the banks were called upon, a number of problems present themselves:

● As currently envisaged, there will be no standby programme for Mexico from the International Monetary Fund.

The Fund is expected to provide a special contingency financing of between $300m and $900m to compensate the country for a drop in oil prices, while the World Bank is expected to provide $1.5bn or more in loans.

Banks have always insisted on IMF standby programmes before lending new funds, and many would be extremely reluctant to lend unless such an IMF accord were in place.

● Bad feeling about the previous $7.7bn commercial bank financing. Many banks outside the US objected to being pressured by the US into the financing.

● The problem of so-called "free riders," banks which are happy to receive interest payments on their loans but which never cough up new money. Many bankers believe that unless the option of interest capitalisation is allowed, many big lenders will ignore any new call for funds.

● Because Mexico does not appear to be in desperate straits, some banks will be reluctant to lend because of the suspicion that the Government will use its reserves to buy back bank debts at a discount in the secondary market.

As many had feared, the secondary market in Third World debt is thus proving a disincentive for banks to provide new finance for a developing country.

According to Mr Paul Luke, economist at Libra Bank, the London consortium bank specialising in Latin America, interest payments by Mexico this year are estimated at about $8bn and would probably be more next year because of higher US interest rates.

Direct investment

Gross repayments of principal next year are currently forecast at about $6bn.

While the country had net amortisations this year of $4bn to $5bn, this was offset by direct investment of nearly $2.5bn and interest on the country's reserves of a further $2bn.

Treasury and Federal Reserve statement

THE US financial authorities have issued the following statement on the Mexican loan package:

The Treasury Department and Federal Reserve welcome the economic measures recently announced by the Government of Mexico.

The US financial authorities believe that these measures build upon the progress already achieved in the sustained adjustment effort undergone by the Mexican economy.

Mexico's adjustment record, particularly the process of fiscal consolidation and the structural transformation of its external sector, has established the basic conditions for the renewal of sustained economic growth.

In the context of normal consultations between countries with close economic relations, US and Mexican authorities have agreed that Mexico's strengthened economic policies merit support.

Accordingly, the US Treasury and Federal Reserve are prepared to develop a short-term bridge loan of up to $3.5bn, depending on the development of loan programmes by Mexico with the World Bank and the International Monetary Fund.

Japanese fund manager found buried in concrete

By Stefan Wagstyl in Tokyo

MR KAZUO KENGAKU, a Japanese fund manager known for his investment skills and his connections with organised crime, was found dead yesterday buried in a lump of concrete.

His death highlights the murky links in Japan between a few speculative investment groups and the *yakuza*, a part of the Japanese underworld. The discovery of his body is the latest twist in the demise this year of three speculative groups based in Osaka which specialised in greenmailing, buying large blocks of shares and forcing target companies to buy back at inflated prices.

Police in Osaka said yesterday three men are under arrest after admitting being involved in the kidnapping and murder of Mr Kengaku, the former president of Cosmo Research, an investment group, and of Mr Hiroyuki Watanabe, a Cosmo Research employee. Cosmo Research is unconnected with Recruit Cosmos, the Japanese company involved in the current insider trading scandal.

According to police, the three have links with Yamaguchi Gumi, the largest of Japan's semi-clandestine crime syndicates. Among them is Mr Keizo Kawamura, allegedly a senior Yamaguchi Gumi executive.

Mr Kengaku and Mr Watanabe disappeared in January after they were called to a restaurant and ordered to deliver Y100m (£440,000) to Mr Kawamura. At Mr Kengaku's instruction, another Cosmo Research employee deposited the cash in a car park. Mr Kengaku and Mr Watanabe were then strangled, according to police. The killers buried the bodies in concrete in a warehouse. But when the bodies began to decompose, they were removed still encased in concrete and dumped in the countryside near Kyoto.

Mr Kawamura maintains in police statements that the murders were carried out in order to steal Y100m from Cosmo Research. But police suspect that the real motive might have been a dispute between Cosmo Research and gangster groups over share dealing.

Mr Kengaku, who was 43, was a legend among speculative investors who said his forecasting was "better than a computer". He started his career as a fund manager at a small stockbroking company and made his name in 1974 by turning in huge profits on shares in Nihon Air Brake – a raid that is still remembered by Japanese brokers.

But in 1981 Mr Kengaku had to leave his firm after another speculative investment went wrong. He was snapped up by investors connected with the Osaka underworld and went to work for Nihon Land (also known as Nihon Tochi), an Osaka speculative investment group well known in Japan for its size and its links with crime.

Mr Kengaku was so successful that in 1986 he set up as president of his own company, Cosmo Research.

For two years, at the height of the bull market, Nihon Land, Cosmo Research, and a third investment group called Cosmopolitan, made huge stock market profits, often specialising in greenmail, or buying big blocks of shares and persuading target companies to buy them back.

But the sluggish performance of the stock market since the crash last October squeezed the speculators' funds and their patience to the limit. As their nerve crumbled so did their confidence in their fund managers.

Nihon Land, Cosmopolitan and Cosmo Research all ran into financial trouble. In August Cosmpolitan went bankrupt with debts of Y70bn, followed last week by Nihon Land owing Y156bn.

The fund managers were themselves exposed to the attention of their often unsavoury creditors and of the police. Mr Yusuji Ikeda, chairman of Cosmpolitan, went missing in August, last seen at Shin-Osaka railway station. Mr Kazuma Kimoto, president of Nihon Land, was last week charged with illegally possessing firearms. Mr Kengaku and the unfortunate Mr Watanabe paid the ultimate price.

The Bank of Japan said it expects M-2 plus certificates of deposit money supply to rise at a year-on-year rate of 10 to 11 per cent in the October/December quarter, Reuter writes from Tokyo. In the July/September quarter, money supply grew at a year-on-year rate of 10.9 per cent, after an 11.3 per cent rise the previous three months. Earlier, the bank had said money supply growth slackened to 10.6 per cent in September from 10.9 per cent in August. The slower growth rate reflected a slackening in growth of large lot deposits.

NEW STOCK EXCHANGE CHIEF AIMS TO COMPUTERISE CLEARING SYSTEM

Professionalism demanded in HK

By John Elliott in Hong Kong

A YOUNG 36-year-old Shanghai-born banker turned broker was yesterday appointed to the demanding HK$2.5m (£187,000) a year job of chief executive of the Hong Kong Stock Exchange, one year after the largely unregulated market was closed by the world crash and hit by subsequent corruption scandals.

He is Mr Francis Yuen, who was brought up in Hong Kong, educated at a university in the US, and for the past two years has been managing director of Citicorp Scrimgeour Vickers' Hong Kong brokerage – earning more than his new salary. Earlier he set up and for two years ran Citicorp's local investment banking division, having started his banking career in 1977 at Wardley, the Hongkong and Shanghai Banking Corporation's merchant bank offshoot.

Tomorrow Mr Yuen moves from his 42nd-floor Citicorp office, with panoramic views across Hong Kong harbour, to his new stock exchange home in "a room with no windows" on the ground floor of the same fashionable plush Exchange Square block.

"I was approached to take the chief executive job last December or January," says Mr Yuen who talks easily about his career and ambitions for the Hong Kong market. "But I said 'No' unless there were substantial reforms because the chief executive job was pretty useless – he just headed the administration, and the staff were related to the committee members and were loyal to them.

"Now the problem of the committees will be sorted out by the new council, so staff problems will also be sorted out."

Mr Yuen's appointment yesterday followed elections on Monday for 16 seats on the stock exchange council, including four corporate members among whom are two international brokerages. Asked whether the exchange will eventually be Oriental or Western, he says that Chinese-style "family connections" will be discouraged.

"Our idea is to make it a much more professionally run exchange, turning from an entrepreneurial management style to more professionalism. This means getting job responsibilities of key employees defined for the first time, sorting out conflicts of interest, developing relationships with the Securities Commission to avoid duplication, and strengthening staff in the listing department."

He believes that in the next three to five years the future of securities markets will be "driven by the advancement in telecommunication links reducing distances between New York and Hong Kong and other exchanges, and by the world-wide de-regulation effort which may mean you have world-wide standards and 24-hour trading".

That he says "sets out clearly that the number one priority here is to organise the new central clearing and deposit taking". At present this is done by a basically manual system, and work has already started on the two-year computerisation programme.

He thinks he was probably chosen for the job because, with his mixed international and Hong Kong banking background, he can "talk in their own way to the small brokers" – many of whom are "sole traders, one man shops and stockbrokers who cannot speak English and may even be illiterate".

He knows this will be a crucial part of his job because there are considerable tensions between the small local brokers and the *gweilos*, as non-Chinese are called in Hong Kong, who come mostly from the UK to run big brokerages and regulate the affairs of the locals.

He credits Mr Ronald Li, the former chairman of the stock exchange who now faces corruption charges, for "his contribution popularising the stock market". But he believes that it will not be possible for a total of eight people now facing charges, and nine others who were officially advised not to stand in Monday's elections, to wield power again.

"I believe in historical forces – once you've gone on you can't come back. Hong Kong has gone beyond the stage of entrepreneurs running the exchange.

Mr Francis Yuen (left), new chief executive of the Hong Kong Stock Exchange, is pictured with Sir Quo-Wei Lee (right), chairman of the Hang Seng Bank, part of the Hongkong and Shanghai Banking Corporation, who was named chairman after election to the exchange's council on Monday.

Philippine opposition attacks bases deal 'sell-out'

By Richard Gourlay in Manila

THE renegotiated agreement on vital United States military bases in the Philippines, concluded in Washington on Monday, leaves Manila considerably richer, relations between the two allies bruised but intact, and both sides with everything to play for in further talks on whether the US decamps in 1991.

The accord, covering the last two years of the current lease, was greeted in Manila with a mix of reactions that are likely to crystalise over the next year as Washington pushes for an extension of its lease on Clark Air, Subic Naval and four smaller bases.

Many Philippine congressmen who had been left out of the six-month talks appeared disappointed that Manila was not able to secure more compensation, despite the near-tripling of the hard cash element to $962m over two years.

Vocal opponents of the bases, including a strong representation in the Senate, attacked the agreement as a sell-out and harmful to national sovereignty. The outlawed Communist Party accused President Aquino of running a "puppet government" and threatened to intensify attacks against US targets.

The hard cash in the compensation package is increased by $301m to $481m a year for the next two years, subject to approval by the US Congress.

This includes a big increase in military assistance – by $115m to $200m – mainly for the Philippine army's 20-year long campaign against communist-led guerrillas, boosting economic support by $65m to $180, mainly for budget support, and $121m in new money for food aid and housing loan guarantees.

In a letter to Mrs Aquino, President Reagan said the US would also consider $350m of Export Import Bank country exposure and hopes to issue $150m investment insurance through the Overseas Private Investment Corporation.

This would take the total for the new package to $1.62bn.

The US has also adopted a formula on nuclear weapons, similar to that agreed last month with Spain, which allows US aircraft and warships to visit the Philippines without Washington having to confirm or deny the presence of nuclear weapons, which it declines to do anywhere in the world.

Innovative

The Philippine government is left to decide whether or not the US can store nuclear weapons on Philippine territory. Mr Raul Manglapus, the Philippine negotiator, has received most criticism for not bringing home the $1.2bn a year compensation he had publicly demanded.

However, one innovative element of the package that will not need US Congressional approval will boost the package. Washington has relaxed rules governing the use of the compensation money, to help Manila service its $29bn foreign debt.

The scheme, modelled on Mexico's bonds-for-debt swap in March, calls for the US to issue treasury bills as security for new Philippine bonds which will then be offered to commercial banks in exchange for existing debt.

The banks will tender what discount they will accept for their Philippine debt, on which principal is unlikely to be repaid, in exchange for negotiable US-backed bonds.

Mexico had to use its international reserves to buy the US bonds.

The revised bases agreement signed on Monday says that about $160m will be released directly in budget support and made available for a market-oriented debt reduction programme in 1990 or earlier.

The move is modest but potentially significant. Apart from affecting the current Philippine request for around $1.5bn in new commercial bank loans – most importantly as it may allow smaller creditor banks to cut their losses – it is a sign of what the US may be prepared to offer on a greater scale in a compensation package for the bases after 1991, some economists were saying yesterday.

Longer term, negotiators will have to face Philippine Senate opposition to the bases and Mrs Aquino's own refusal to declare publicly whether she wants the bases to stay after 1991. A future treaty will have to be ratified by a two-thirds majority of the Senate, which is far from assured.

Also at stake is the future of an embryonic $10bn international recovery plan for the Philippines modelled on the Marshall plan that relaunched post-war Europe. US officals have not tried to hide the implication that the plan is unlikely to fly unless the bases stay beyond 1991.

Roh offers peace in UN address

PRESIDENT Roh Tae-woo of South Korea, calling for a "springtime for peace and reconciliation", yesterday extended an olive branch to North Korea and called for an early summit meeting in its capital without preconditions, AP reports from the United Nations in New York.

Mr Roh, in the first address by a South Korean president to the UN General Assembly, also called on Seoul's allies, the US and Western nations, to improve relations with the north and help to end North Korean isolation. "It is our wish that our allies and friends will contribute to the progress and opening of North Korea by engaging Pyongyang in expanding relations," the president said.

He also emphasised that parallel to its ties with the West, Seoul was trying to improve relations with China, the Soviet Union and Communist East European nations friendly to its communist neighbor.

SA soccer talks

Four representatives of the South African National Soccer League arrived in the Zambian capital of Lusaka Monday evening to hold talks with officials of the African National Congress. The talks between the soccer league representatives – three blacks and an Indian – and ANC officials, including Mr Thabo Mbeke, director of information, are expected to last until Friday. They come only 24 hours after a surprise meeting in Harare between the ANC and Dr Dannie Craven of the South African Rugby Board.

The talks are expected to focus on the possibility of ANC support for South African participation in international sporting events and the institutionalisation of multi-racial sport in South Africa. Soccer, unlike rugby, is widely followed by blacks, Indians, and mixed races in South Africa.

Nigeria wheat row

Nigeria is facing mounting US pressure, including the threat of trade sanctions, to lift a ban on wheat imports, Reuter reports from Lagos. But the military Government has reaffirmed its stand with a sharp response to complaints by the US ambassador that the ban discriminated against US farm exports.

Kach banned

Israel's Supreme Court yesterday barred the anti-Arab Kach movement of US-born Rabbi Meir Kahane from running in the November 1 election, saying it was racist and undemocratic, AP reports from Jerusalem. The high court ruled on a Kach appeal against a Central Elections Commission decision banning it from the poll.

Chinese investment

Foreign investment in China in the first nine months of 1988 was $1.56bn, an increase of 35 per cent over the same 1987 period, China Daily said, according to Reuter in Peking.

Australian companies shrug off crash impact

By Chris Sherwell in Sydney

A SURVEY of 314 Australian corporations has shown that, for 84 per cent of them, last October's stock market crash had a minor or no impact.

The finding tends to counter perceptions that Australia was one of the big casualties of the share price plunge, and tallies with evidence abroad that the fall itself was more a sharp correction than a "crash".

The survey was commissioned by the Committee for Economic Development of Australia, an independent organisation of business leaders and academics, and released to coincide with the first anniversary of "Black Monday", October 19. It confirms anecdotal findings that, at a microeconomic level, Australia's finance and insurance industries were hurt more than its manufacturing sector.

In manufacturing only 1 per cent of respondents felt the crash had a big negative impact on them, while 95 per cent thought it had no impact or only a minor one. In the finance and insurance industry the comparable figures were 29 per cent and 64 per cent.

Asked about the effects of the crash on their investment activities, only 8 per cent of manufacturers and 21 per cent in finance and insurance said it had any effect. Retrenchments were also confined mainly to the finance and insurance industries. In manufacturing it was used to negotiate changes in work practices under the wage negotiating guidelines then in place.

To explain the relative lack of impact of the crash, the survey points to the "easy money" policy introduced by the Reserve Bank immediately afterwards. For manufacturers this acted to sustain domestic orders, the survey says, while for investors it prevented a liquidity crisis while they renegotiated loans given for share purchases.

Koor granted breathing space

By Andrew Whitley in Jerusalem

THE Tel Aviv District Court yesterday granted Koor Industries, Israel's largest company, a 30-day stay of execution against an application for its winding-up brought by Bankers Trust of the US.

The postponement of Koor's reply means that final decisions over its future will be taken only after the Israeli parliamentary election on November 1. Its management had argued that responsible solutions could not be reached at the present time.

However, there was no easing yesterday of the badly shaken congomerate's acute financial difficulties, resulting from the drying up of much of its bank credit lines. By last night, talks between top Treasury officials and the heads of Hevrat Ha'Ovdim, Koor's parent company, over a proposed bridging loan had not reached a conclusion.

A statement issued by the company said the one-month breathing space provided by the court would enable Koor to prepare its arguments opposing liquidation.

It would also use the time to draft a fresh recovery programme and work out an arrangement to settle its bank debts. Mr Benjamin Gaon, the company's president, told the Financial Times on Monday that the group's accumulated debts stood at $1.2bn.

Of this, he said about $800m was owed to local banks – notably Bank Hapoalim, an affiliated company – and $300m to foreign banks. The remainder is represented by bonds outstanding in the US market.

Although the official disclosure of Koor's half-year results has been postponed until later in the month, the chief executive recently circulated creditors with a note stating that losses had been reduced to $65m. This compares with $253m for the full year of 1987.

Earlier this week Hevrat Ha'Ovdim, the holding company of Israel's trades union federation, the Histadrut, decided against putting Koor either into voluntary liquidation or requesting the appointment of a temporary receiver. Mr Gaon said the feeling remained that the group was worth more as a going concern than it would be broken up into its many different components.

Unable to meet everyday running costs since its Israeli bankers stopped lending to unsecured Koor subsidiaries 10 days ago, Koor Industries is seeking an urgent bridging loan of up to $35m from the banks.

But the price that it will probably have to pay for the government guarantee required by the banks is the appointment of an external supervisor.

Pakistan poll allies fall out

By Christina Lamb in Islamabad

A WEEK into Pakistan's first multiparty election campaign in 11 years, one of two new alliances has collapsed following a decision by the country's main conservative party, the Moslem League, to reunite, having separated into two factions last month. Each had formed separate alliances – one group led by provincial chief ministers joined the Islamic Democratic Alliance, and the other, headed by former Prime Minister Mohammed Khan Junejo, launched the Pakistan People's Alliance.

On Friday the factions merged with Mr Junejo as president. The chief election officer, however, ruled the party had to fight as part of one of the alliances. Mr Junejo had to agree the Moslem League would join the IDA. But the IDA already had a list of candidates, leaving no room for many of Mr Junejo's men.

Lebanese MPs fail to elect Speaker

By Jim Muir in Nicosia

THE Lebanese parliament failed to elect a new Speaker yesterday, raising fears that the country may have lurched further towards partition and the disintegration of its national institutions.

As happened with three presidential election sessions last month, the attempt to choose a new Speaker – or more likely, to re-elect the incumbent, Mr Hussein al-Husseini – was foiled because East Beirut Christian MPs stayed away.

Only 26 deputies, all from West Beirut or other Syrian-controlled parts of the country, turned up – well below the 39 needed to make up a quorum.

Those who did attend issued a statement saying that Mr Husseini, his deputy and aides should continue to discharge their functions with full powers until a new election can be held.

But that move had already been challenged by the Christian hard-liners. They denounced it as illegal and argued that the office should pass provisionally to the oldest surviving MP, Mr Kazem al-Khalil, a Shia Moslem long allied to one of the hard-line Christian parties.

With no President, two rival Prime Ministers, and now the formal division and paralysis of Parliament, all of the country's constitutional bodies have fallen apart. "Let us stop fooling the people," said 84-year-old Mr Khalil. "The country is finished. The house is collapsing around us, and we are just arguing over the furniture."

Andrew Whitley adds: Iraq's supply of weapons and ammunition to the Lebanese Forces, a hardline Lebanese Christian militia, has reached substantial proportions in recent weeks, according to a senior Israeli official.

The official said earlier this week that the recent appearance of Iraq in the Lebanese cockpit, following the ceasefire in the Gulf War, was "a significant new element" in the contest over the country's future. The Lebanese Forces, led by Mr Samir Geagea, a close ally of Israel, have acted repeatedly over the past two months to foil Syrian attempts to press their own political candidates in Lebanon.

Through the successful intervention of its proxy – blocking first the election of former President Suleiman Franjieh and again, yesterday, of a new Speaker of the National Assembly – Israel feels it has won the latest round of its long-running battle with Syria over Lebanon.

"An unresolved situation is at least better than a Syrian-imposed solution," said the official, who closely follows Lebanese affairs.

What concerns Israel most is a legitimisation of the Syrian military presence in Lebanon. This would erode its own grounds for arguing that the two foreign forces on Lebanese soil – its own in the south and the Syrians in the centre and north – should be put on an equal footing as regards any future withdrawal.

Labour courts Israel's Arab community

Andrew Gowers reports on the party's bid for a vital vote

Israel's 750,000 Arab citizens are currently witnessing one of the less edifying spectacles of the country's general election campaign.

With less than two weeks to polling day, leading Israeli politicians have been barnstorming through dusty Arab towns and villages where they would not normally set foot, in search of votes from a sector of the population which constantly complains that it is discriminated against by the Jewish establishment.

Israeli parties of a variety of political hues have long courted the Arab vote – accounting for some 14 per cent of the potential electorate – at election time, just as they have tended to neglect Arab areas at other times. On this occasion, however, one of the two main parties – the Labour Alignment led by Mr Shimon Peres – is undertaking the task with greater urgency than before.

In between wooing floating voters of the centre and soft right, Mr Peres and Mr Ezer Weizmann, Labour's now dovish campaign chairman, have become frequent visitors to the predominantly Arab areas of northern Israel. Their aim is to prevent what many political commentators believe to be inevitable: a collapse of the party's traditional support among Arab voters.

This portion of the electorate – in any case a growing proportion of the total because the Arabs of Israel have a higher birth rate than the Jews – has become increasingly important to Labour as its fortunes among the broader populace have waxed and waned in the last 15 years or so, and especially since the victory of Mr Menachem Begin's Likud bloc in 1977.

Political scientists reckon that at the last election in 1984 the Alignment captured up to 30 per cent of the Arab vote, and thus may owe as many as four of its seats in the current 120-member Knesset to Arab support. That may not seem many, but the margin that they provided over the Likud bloc was sufficient to give Mr Peres first shot at being Prime Minister in the current National Unity Government.

The forthcoming election is expected to be at least as close, perhaps being "decided" by only one or two seats. So the way the Arabs vote on November 1 could make a crucial difference for Labour. Although they will not tip the overall balance between left and right, they could thwart Labour's

hopes of emerging as the largest single party with the best chance of being asked first to try and form a coalition. Mr Weizmann was not completely exaggerating when he said the other day: "The Arab vote will decide who will be the next prime minister of Israel."

Polling of Arab voters is an imprecise science, but the auguries are far from comforting for Mr Peres and his cohorts. Most of the surveys published to date show heavy losses for Labour in this sector. Some experts reckon that Labour's showing will be down to only 10 per cent of the Arab vote.

The reasons are not difficult to understand. They are closely linked with the Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip, which has heightened identity problems among a section of the population which despite holding citizenship rights has never been properly integrated into Israeli society.

Mr Abdel Wahab Darousha, a former Labour Knesset member based in the mainly Arab town of Nazareth who quit the party last January to run for election on his own list, says Arabs have become increasingly frustrated with Labour's failure to deliver on pledges to improve their status and well-being within Israel. Frequently-expressed and untreated grievances include confiscations of Arab land by the authorities; and discrimination in the funding of Arab municipalities and in services such as education and housing.

Arabs are also fed up with the lack of movement on the Arab-Israeli peace process despite expectations raised during Mr Peres's two-year premiership. Most importantly, they have been alienated by the repressive handling of the unrest in the occupied territories by the Labour Defence Minister, Mr Yitzhak Rabin. "That was the final straw," says Mr Darousha, who spent years fruitlessly trying to argue the Arab case within the Labour Alignment.

"We do have a problem vis-à-vis the Arabs in Israel because we are in government and because Rabin is Defence Minister," admitted a senior Labour party official.

Labour's attempts to limit the damage do not appear to be having much impact. Mr Peres is often accused of speaking in contradictory voices to his party's Jewish and Arab constituencies, though his position may be marginally enhanced by Labour's promise this week to hold local elections in the occupied territories if elected.

That said, the Arabs' influence on November 1 will be more that of a protest vote than a positive force for change within the Israeli mainstream. The Arab community – sections of which have long been susceptible to the pressures of Israeli patronage – remains fragmented along political, clan, religious and regional lines.

As other parties queue up for the spoils, the main beneficiaries are likely to be the Communists, who have acted as a magnet for Arab votes since the 1950s, and to the Progressive List for Peace, a relatively new Jewish/Arab party calling for the establishment of a Palestinian state alongside Israel. Between them, the Communists (Rakah) and the PLP currently command six Knesset seats, and are expected to gain perhaps one extra seat each.

Their problem is that Labour cannot be seen to be openly co-operating with either party for fear of sacrificing potential centre-right Jewish votes. Their best hope may be to form part of a Labour-led "blocking majority" with the aim of preventing the formation of a right-wing coalition – an inherently unstable arrangement.

Given the divisions in the Arab camp, one of the more intriguing side-effects of Labour's expected losses will be a sizeable boost for a mainstream Zionist party, the Citizens Rights Movement.

Established in 1973 by Ms Shulamit Aloni, a former Labour Knesset member who is widely recognised as one of Israel's more capable and articulate politicians, the CRM (or in Hebrew, Ratz) has carved out a role as the voice of Israel's left-liberal conscience. The party currently has four seats, but may swell its representation this time to seven – one or more of which may be attributable to Arabs determined to use their vote constructively rather than in protest.

Burma battles with insurgency

Richard Gourlay reviews an embittered history of minority unrest

BURMESE rebels seeking greater autonomy from the central Government yesterday won a three-week battle for a forward military post near the Thai border. Rangoon Radio last night confirmed that the post had fallen to guerrillas of the Karen ethnic minority and said a regimental commander and 34 other government soldiers had been killed.

The Karen guerrillas, the strongest of the dozen insurgent groups fighting for autonomy within troubled Burma, occupied two camps near Methawaw, on the west bank of the Moei River separating Burma and Thailand.

The Government announced that students who recently joined the guerrillas must return home by November 18 or be regarded as rebels. Official "reception centres" have been established at 27 towns in areas bordering Bangladesh, India, China, and Thailand. The students are supposed to check into these centres before being sent home.

Officials of the various rebel groups say more than 9,000 students and other civilians have arrived at their camps since September 18 when General Saw Maung took power as Burma's fourth leader in two months and crushed the pro-democracy movements in the cities.

As well as fighting the Government, many of the insurgent groups fight each other. When Burma's leader for 26 years, U Ne Win, nominally resigned on July 23, Karen and Mon minority insurgents in the south had just started fighting over who should tax goods smuggled through the Three Pagodas Pass from Thailand.

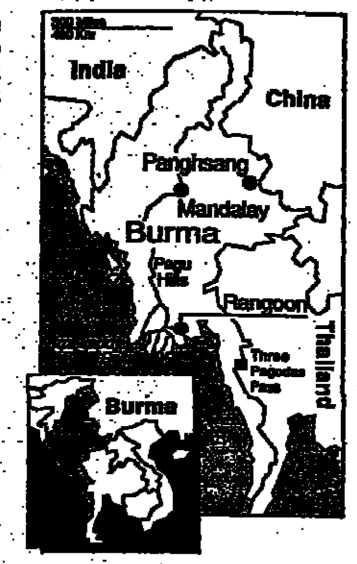
Now, Three Pagodas town is abandoned after bloody fighting, the ground strewn with landmines, according to monks and the Thai army. But the Mon and Karen remain more interested in their ancient rivalry than in current events in Rangoon. Burma's ethnic insurgencies and the National Democratic Front, which tries to bind them together, have played no part in the main event. They remain a forgotten sideshow in a country already in the wings of the world stage.

Many diplomats and experts hold the view that if Burma is to move ahead, once a stable government emerges from the current hiatus, the minorities' demands will have to be addressed in a way that no government has succeeded in doing since independence in 1948.

"We want multi-party government – that will come from outside and internal pressure – but to get lasting peace we need to solve the ethnic question," said Dr Tu Ja, the foreign secretary of the National Democratic Front which is based in Mae Sot, a Thai town made prosperous by cross border trade.

The insurgencies have been a steady drain on resources. The 175,000-strong Burmese army has been fighting serious campaigns almost non-stop for 40 years. Insurgent-backed minorities also control areas that hold some of Burma's richest teak, jade, minerals and possible oil deposits which, as a result, remain under-developed. Rangoon is also largely unable to prevent large amounts of smuggling, particularly of prized Burmese jade, across borders with China and Thailand areas which are mostly in insurgent hands.

Judging the insurgents' strengths and weaknesses is an imprecise science – which ones are nationalistically motivated and which, like Khun Sa's opium army, have become or always have been fronts for banditry or smuggling. Diplomats and the few experts who have travelled through Burma's hinterland believe the insurgents can muster about 25,000-30,000 fighters. The majority are north and east of Mandalay with the large, but lately ineffectual, Communist Party of Burma and the best-organised Kachin Independence Army. Smaller ethnic armies include one of the oldest groups, the Karen National Liberation Army, the Shan armies, which suffer from chronic internal bickering, the Mon, the Karenni and the Palaung.



Together, minority groups make up about 40 per cent of Burma's population of 38m, although many of them live in the lowlands where the majority Burmans are in control, diplomats estimate. The insurgents appear to have total control of a third of Burma, which is about the size of Texas, with the better organised groups, such as the Kachin, operating permanent hospitals, schools and some small towns.

Ne Win has relentlessly persued a policy of trying to defeat the insurgents. However, the NDF under Kachin guidance has officially relaxed demands for independence and is now calling for a Burmese federation. This is not a common position. The Communist Party of Burma is bent on forming a Marxist Lenninst government in Rangoon. And the Karen still cling to the hope of an independent state. Any solution will have to recognise 40 years of pent-up resentment of Rangoon's supremacy, dating from the rocky first years of independence from Britain, diplomats say.

The country started to disintegrate, without the unifying hand of Aung San, the revered nationalist leader who was assassinated shortly after negotiating an independence from Britain that respected the minorities' interests. Two weeks after British soldiers left, the Communist Party of Burma revolted in the Pegu Yoma hills, north of Rangoon. Then a large contingent of Karen soldiers defected from the Union Army to join the Karen National Defence Organisation.

Within a year of independence the country was in a state of civil war, aggrevated by a residue of Chinese Nationalists (Kuomintang) who had fled across the border from Mao Tse-Tung's army. After a lull in fighting in the mid-1950s, the insurgencies picked up again with the formation of Kachin and Shan armies in the 60s ad 70s respectively and heavy military backing from China during the cultural revolution for the fading Communist Party of Burma.

The insurgency problem continued throughout this decade and is one of the few aspects of Burma's internal problems which looks just the same now as it did before the wave of unrest and political crisis broke out three months ago.

OPPOSITION PARTY CALLS FOR FREE ENTERPRISE

BURMA'S main opposition party said yesterday that it wanted an end to the country's international isolation, bringing in foreign investment and replacing the rigid socialist economy with free enterprise, AP reports from Rangoon.

In a nine-page policy statement, the National League for Democracy said it would seek closer relations with foreign countries and participate in international and regional economic organisations.

The statement said its policy would be to return nationalised enterprises to their original owners and privatise or abolish all but a few state enterprises vital to the nation.

The first priority, it said, would be ending ethnic insurgencies that were "draining the country's resources and hampering development."

Despite weeks of violent political protest, the military-backed Government reasserted control on September 18. But it allowed the formation of opposition political parties and promised general elections without setting a date for the polling. So far, 22 parties have been formally registered with the Government, including the powerful National Unity Party that has wielded power for the past 26 years under a different name.

The Government has admitted that more than 450 people were killed in a campaign to restore law and order and 1,120 people have been recruited to act as paid porters for the military.

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UK NEWS

Government surplus may exceed £8bn for year

By Simon Holberton, Economics Staff

THE GOVERNMENT is well on the way to achieving a surplus of more than £8bn for this financial year according to Treasury figures published yesterday.

The figures show that although the Government borrowed nearly £1bn in September, it is set to repay a lot of debt this financial year.

The monthly figures for the public sector borrowing requirement, which include a breakdown of expenditure and revenue, show a Public Sector Borrowing Requirement (PSBR) surplus of £3.7bn for the first six months of this financial year.

Revenue growth is significantly higher than predicted by Mr Nigel Lawson, Chancellor of the Exchequer, in his budget in March this year, and expenditure appears to be lower than forecast.

Mr Lawson will make a new forecast for the PSBR in the Autumn Statement next month and economists in the City of London expect him to estimate a PSBR surplus of about £8bn.

UK financial markets hope that the tomorrow the Chancellor, in his annual address to the City of London at a Mansion House banquet, will explain his policy towards the repurchase of Government debt.

Inland Revenue receipts in the first six months of the financial year were 8 per cent higher than in the same period a year earlier and receipts from customs, excise and value added tax were 13 per cent up.

The Treasury estimated that Inland Revenue receipts would rise by 6 per cent this year and customs and excise receipts by 7 per cent.

On the expenditure side, supply expenditure was 5 per cent higher in the first six months of the year than for the same period last year.

In the budget the Treasury forecast that public expenditure, a slightly different category from supply expenditure, would rise by 7.4 per cent.

The Treasury said the September figures were slightly distorted by the effects of the postal strike.

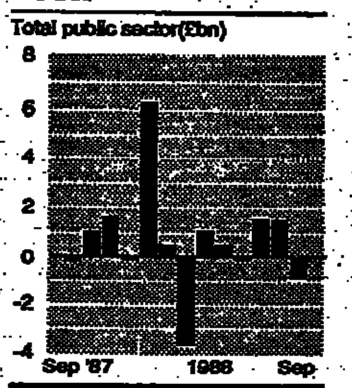
This lowered Inland Revenue receipts by some hundred of millions of pounds. In addition, there was also the payment of a rebate to the major oil companies for Advanced petroleum revenue tax.

Advance petroleum revenue tax was phased out in 1983 and the last payment by the oil companies of APRT was made in 1986.

Last month the Revenue paid a rebate of £400m to the oil companies and this is expected to be the last large scale rebate.

Petroleum revenue tax yielded £300m during September leaving a net rebate of tax to the oil companies of £100m.

PSBR



Statistical Office admits errors in September national accounts

By Ralph Atkins, Economics Staff

ERRORS AND omissions mean large parts of a government book of statistics published last week are useless, officials admitted yesterday.

The Central Statistical Office (CSO) national accounts, in its September monthly digest of statistics, were unreliable and people were advised to use other sources.

Its admission will further undermine confidence in the government statistical service. Independent economists have complained for some time of inaccuracies and an internal Treasury review is expected to be concluded soon.

The errors in the September digest are in annual and quarterly figures for economic statistics, such as gross domestic product, investment and consumer spending.

The CSO said the problems arose because changes to its computer system coincided with a re-basing of index numbers to 1985. However, human error was almost certainly a factor.

An official said: "I suppose in the last analysis it was sloppy editing."

The CSO said it had only become aware of the mistakes in the last few days and is still trying to find out the extent of the problem.

The result is a collection of spurious results: figures in tables do not match headings and numbers are wrong or missing.

The effect is to rewrite history. For example, the digest shows gross domestic product – or national income – falling sharply between 1982 and 1983. More reliable figures show it rising.

The CSO said correct annual figures could be found in its UK national accounts 1988, or Blue Book, published earlier last month. Users should refer to press notices, or contact the CSO, for details of recent quarterly numbers.

The monthly digest, which costs £5.50, is widely used as a reference book by academic economists and London financial analysts. As well as economic statistics, it includes information on other subjects such as population, transport, energy and agriculture. The CSO said these were unlikely to be affected.

Living standards eroded, says Labour

By Charles Hodgson

GOVERNMENT cuts in public spending on infrastructure have created a "polluted, congested and rundown country" ill-prepared for the challenges of the 1990s, the Labour Party claimed yesterday.

Launching the party's autumn offensive against the Government's economic policies, Mr Gordon Brown, Labour's Treasury spokesman, produced figures which, he said, demonstrated that Britain's quality of life was being eroded through the deliberate underfunding of key areas that depended on public spending.

Mr Brown called on Mr Nigel Lawson, Chancellor of the Exchequer, to ensure a better balance between investment and consumption by announcing increases in public spending in his autumn statement next month. To help finance that investment, the next budget should reverse the top-rate tax cuts of last March, he said.

Labour is giving priority to its attack on the Government's economic strategy, tapping what it regards as growing public concern about the state of the economy following recent rises in inflation and interest rates and the widening trade deficit.

Its opening shots come as the Government's review of public spending plans for the next financial year nears completion. Some government departments, including defence and social security, have so far failed to reach agreement on their budgets with Mr John Major, the chief secretary to the Treasury, and it looks increasingly likely that the Star Chamber committee, headed by Mr Cecil Parkinson, the Energy Secretary, will shortly be called in to arbitrate.

Ford US to invest £725m in UK plant

By Kevin Done

FORD Motor of the US, world's second-largest automotive concern, is to invest £725m to build a new engine plant at Bridgend, South Wales, in a move claimed by the company to be the largest single investment ever made in a vehicle engine plant.

The investment will be the largest made by any motor manufacturer in the UK, exceeding the £610m being invested by Nissan of Japan in its car assembly plant in north-east England. It confirms Ford's intention to make the UK its major European centre for engine production.

Government selective regional aid was one of the factors which persuaded Ford to choose Bridgend in preference to its other existing European engine sites at Dagenham in the UK, Valencia in Spain and Cologne in West Germany.

The Welsh Office indicated yesterday the assistance would total no more than £30-40m, however.

The new plant will be built on the site of the company's existing Bridgend engine plant, which came on stream in 1980 after an investment of more than £180m.

Mr Derek Barron, chairman and chief executive of Ford's UK subsidiary, said the plant would have the capacity to produce up to 850,000 units a year, compared with the present capacity of about 500,000 units a year. Production is due to begin in the summer of 1991.

Ford said some 60 per cent of the production from the new plant would be exported to Ford plants in Europe and would generate annual export earnings in excess of £300m a year.

Verdict on insider dealing is handed down by the book

Raymond Hughes examines the recent court ruling

The Appeal Court ruling yesterday on the meaning of the word "obtained" in the legislation against insider trading will have been greeted with relief by the Department of Trade and Industry.

The DTI is at the forefront of the Government's attempt to curb insider dealing and is responsible for investigating and prosecuting suspected offences.

The three judges said those who knowingly dealt in shares on the strength of unpublished, price-sensitive information would be guilty of insider dealing, regardless of how they came by the information.

The case hinged on the meaning of the word "obtained" in the 1985 Company Securities (Insider Dealing) Act. The Act makes it an offence for a person to deal in shares on the basis of unpublished, price-sensitive information "which he knowingly obtained (directly or indirectly) from another individual . . ."

Mr Brian Fisher, London barrister and businessman, was acquitted on two insider dealing charges after a court ruling that he had not knowingly obtained price-sensitive information, but had been given it without soliciting it.

After yesterday's ruling – which is to be reviewed by the Law Lords, the final court of appeal – the DTI was said to be carefully considering its precise terms.

Mr Fisher said the ruling tightened up the market place and forecast that the part of the act which dealt with secondary insiders would prove "unworkable."

His acquittal is unaffected by the appeal judges' ruling, which had been sought by Sir Patrick Mayhew, Attorney General, only as guidance on the law for the criminal, or Crown, courts in future cases.

Mr Fisher's lawyers took part in the hearing – which was not an appeal in the ordinary sense – to give the judges the benefit of an alternative argument on the law to that put forward by Sir Patrick.

Had the three appeal judges decided differently, the DTI would probably have had to drop at least some of the cases already before the courts or under investigation.

It has 31 cases on its books including one awaiting trial at Oxford Crown Court, three others due for preliminary hearings and 19 being investigated.

Insider dealing was made an offence in June 1981, under the 1980 Companies Act. The case involving Mr Fisher was the DTI's first reversal in prosecutions under the 1985 Act.

Mr Fisher was the first person to fight an insider dealing prosecution. Southwark Crown Court was told in April that he had approached Thomson T-Line, an ailing caravan manufacturing company, with an offer to buy.

While the offer was being discussed with Kleinwort Benson, the company's financial adviser, Mr David Thomson, the company's chairman, made a private sale arrangement.

Miss Rosalind Hedley-Miller, a director of Kleinwort Benson, had felt it proper to inform Mr Fisher of what had happened. She told the Crown Court she had felt she had an ethical responsibility to advise Mr Fisher of the other bid and the fact that an announcement would shortly be made.

"I would not normally give price-sensitive information to other potential buyers," Miss Hedley-Miller said, "but I thought Mr Fisher had been treated unsatisfactorily.

"I felt he was owed an explanation, but I had to be careful what I told him. I felt embarrassed about letting him down and warned him that what I was about to say would make him an insider."

Ten minutes later, Mr Fisher telephoned his stockbroker and bought 6,000 shares in Thomson T-Line, selling them five weeks later for a £3,340 profit.

The defence successfully argued that Mr Fisher had no case to answer because he had not solicited the information from Miss Hedley-Miller and therefore had not "obtained" it.

Judge Gerald Butler turned to the Shorter Oxford Dictionary and found the meaning of "to obtain" given as "to procure or gain, as the result of purpose and effort."

He concluded that, in the context of insider dealing, obtaining involved "actively seeking or acquiring information" not merely accepting or receiving it.

He directed the jury to acquit Mr Fisher.

The appeal judges also had recourse to dictionaries – both the Shorter Oxford and Webster's New International – from which they concluded that "the word is capable of supporting the contention of either party."

Lord Lane, the Lord Chief Justice, and his two colleagues derived more help by delving into the history of the 1985 Act to see what Parliament's intention had been.

They concluded "that Parliament intended to penalise the recipient of inside information who deals in the relevant securities, whether he procures the information from the primary insider by purpose and effort, or comes by it without any positive action on his part."

Venezuelan group buys site joining St Paul's

By Paul Cheeseright, Property Correspondent

PATERNOSTER SQUARE, a complex of offices by St Paul's Cathedral in the City of London, is passing into Venezuelan ownership.

The redevelopment of the site has excited the concern of the Prince of Wales.

Mountleigh, the property group which owns Paternoster Square, announced yesterday that it was selling the property, with four other central London office buildings, to Organizacion Diego Cisneros (ODC) for £317.5m.

ODC is a privately owned multinational group controlled by the three Cisneros brothers. It is based in Caracas and its interests stretch from property and manufacturing to sports goods, baby products and Pepsi Cola franchises. It has annual sales of about $2bn.

It is ODC's first major property purchase in the UK. The deal was struck early yesterday after lengthy negotiations in a Rotterdam hotel.

Paternoster Square, covering 4.3 acres, was developed in the 1960s to provide 307,000 square feet of offices. The Prince of Wales and others have described it as an eyesore and redevelopment is seen as a second chance to create a complex of buildings which would sit felicitously with St Paul's.

Arup Associates won an international competition to produce a masterplan for the area and its work was the focus of an exhibition during the summer. Mountleigh, which gained full control of Paternoster Square last May, said that it expected to be engaged in the project as manager for ODC.

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UK NEWS

Generic industry faces unpleasant medicine

Peter Marsh explains why new laws will be welcomed by branded drugs companies

Branded pharmaceuticals with estimated UK annual sales of £170m are to be protected from generic copying for four extra years under legislation due to be enacted in the next few weeks.

That will bring a sigh of relief from UK manufacturers of branded medicines. But many small companies which make generic copies of pharmaceuticals will face harder times as the number of products becoming available for copying is cut.

There could well be a substantial cut in the number of generic drug companies whose products are chemically identical to branded products, but normally cheaper.

Sales of generic drugs have risen significantly in recent years. They now account for about 10 per cent of the National Health Service's £2bn annual medicines bill.

Several dozen companies are involved. There are mixed feelings in the health care world about the imminent change.

Generic producers have helped cut the UK drug bill. On the other hand, some of the big drug companies accuse the smaller ones of eating unfairly into their profits.

Leading generics companies in the UK include Evans Medical, Harris, Thomas Kerfoot, Generics (UK), ABS, Cox and CP Pharmaceuticals.

The last two are unusual because they are owned by two of the big makers of branded drugs, West Germany's Hoechst and Fisons of Britain.

The legal change is embodied in the Copyright, Trade-marks and Patents Bill, which is due to receive royal assent in the next fortnight.

The bill's enactment will remove a legal anomaly which for many years has annoyed Britain's mainstream branded pharmaceutical companies, such as Glaxo, Imperial Chemical Industries and Beecham, and which has contributed to the growth in prominence of companies selling generic drugs.

The anomaly resulted from the 1977 Patent Act, which provided for a 20-year life for all UK patents, bringing the country into line with the rest of the European Community. Previously, British patents had lasted for 16 years.

Pharmaceutical patents filed between 1967 and 1978 were extended to the new term. But the proviso was added that, four years before a pharmaceutical patent's expiry, companies other than the original manufacturer could apply for a "licence of right" to copy the product. They had to pay a royalty to the original producer.

In effect, this cut from 20 years to 16 the legal protection for several important drugs covered by patents taken out before 1978.

Important drugs affected by UK patent rule change

Name	Treatment	Maker	Annual UK sales	Patent expiry *	#
Zantac	Ulcers	Glaxo	£90m	1997	1993
Capoten	Heart	Squibb	£23m	1997	1993
Zovirax	Herpes	Wellcome	£12m	1995	1991
Augmentin	Antibiotic	Beecham	£11m	1995	1991
Sandimmun	Organ t'plant	Sandoz	£9m	1994	1990
Distaclor	Antibiotic	Lilly	£9m	1994	1990
Cardene	Heart	Syntex	£2m	1994	1990
Motilium	Nausea	Janssen	£2m	1996	1992
Zinacef	Antibiotic	Glaxo	£1m	1994	1990

Key: * Date after patent rule change # Date before patent rule change

Source: Martin Pollard Associates

Since the early 1980s, Britain's big branded drug makers have protested that the licence of right provision was unfair.

They say they need a long period of patent protection for their products in which to build up sales without competition. This, they say, is the only way they can recoup the hefty expenditure – up to £50m for a single product – required for drug development.

The Copyright Bill will end the licence of right provision for those drugs whose patents expire during the four years from November 1993.

As a result, products which would have become available for copying from November next year now have a stay of execution during which generic versions will be illegal for a further four years.

According to a study by Martin Pollard Associates, a UK consultancy specialising in drug patents, about 50 large-selling pharmaceuticals with total annual sales of about £170m a year are involved.

The most important is Zantac, Glaxo's highly profitable ulcer drug which has annual UK sales of £90m. Under the licence of right provision, Zantac would have become available for patenting in 1993. This date is now put back to 1997.

Other drugs with significant sales which would have been available for copying after next year but now have extra protection include Wellcome's Zovirax, an anti-herpes product, and Capoten, a heart medication made by Squibb of the US. Other significant products in the group are listed in the accompanying table.

The big question is what fraction of these £170m-a-year sales the generic companies could have expected to have made if the licence of right period was not changed.

The question is highly complex, given that many of the doctors who prescribe drugs have a strong allegiance to branded products.

They can therefore not be relied on to substitute a generic formulation for a branded medication once it becomes available, even if it is less expensive.

Another complicating factor is that when a generics company copies a branded product, the royalty it has to pay the original manufacturer may often amount to some 30 per cent of the selling price of the generic formulation.

Thus, even if the branded manufacturer's sales decline because of the generic product, it gains some revenue in partial compensation.

Observers think the repeal of the licence of right rules will cost the generics industry perhaps £20m a year – cash that some of the smaller companies in the industry could have done with.

BIRMINGHAM INTERNATIONAL MOTOR SHOW

Iveco Ford achieves first profit since link-up

By Kevin Done, Motor Industry Correspondent

IVECO, the commercial vehicles subsidiary of Fiat of Italy, expects to increase its net profits by more than 20 per cent to a record level of about £160m from £130m last year, Mr Giorgio Garuzzo, managing director, said yesterday.

Iveco, the second largest truck maker in West Europe behind Daimler-Benz of West Germany, said that Iveco Ford Truck, its UK joint venture with Ford, had achieved its first profit in the first six months of the year since the two companies merged their UK interests in mid 1986.

Iveco Ford, the UK market leader (for trucks above 3.5 tonnes gross vehicle weight), made a net profit of £5m in the first half of the year compared with a loss of £9m in the whole of 1987 and a start-up loss of £22m in 1986.

Iveco Ford, in which Iveco has management control, increased its volume sales by 39 per cent in the first half of the year to 8,700 units, said Mr Garuzzo, while turnover jumped by 46 per cent to £127m.

Iveco Ford has opened up a gap of more than 2 percentage points ahead of its closest competitor in the UK, Leyland DAF, the UK subsidiary of DAF of the Netherlands, and claimed a market share of 24.9 per cent after the first nine months of the year (for trucks above 3.5 tonnes gross vehicle weight), compared with 22.5 per cent a year ago.

Iveco Ford's main strength is in light and medium trucks, where it controls 40.5 per cent of the market for trucks of 12-15.9 tonnes and 43.3 per cent of the market from 5-11.9 tonnes.

Mr Garuzzo said that overall the Iveco group had increased its volume sales by 15 per cent in the first six months to 67,000 units, while diesel engine production had risen by 21 per cent to 159,900 and group turnover to £1.7bn.

Jaguar looks into supercar potential

By John Griffiths

A STUDY is under way to assess whether the XJ 220, a 220mph Jaguar sports car unveiled at the Birmingham motor show yesterday, should be put into production.

The "commercial viability" evaluation is being made not by Jaguar Cars, but by JaguarSport, a joint venture set up earlier this year between Jaguar and the TWR group, which produces and operates Jaguar's racing cars.

JaguarSport would also build the XJ220 at its Bicester, Oxfordshire, facilities if a decision to go ahead is made.

The car, with four-wheel-drive and powered by a 6.2 litre, 48-valve version of Jaguar's V12 engine, is said by Jaguar to be capable of accelerating from standstill to 60mph in 3.5 seconds and to 100mph in eight seconds.

Whether the XJ220 ever will progress beyond a concept car seems open to doubt, however.

"Tom Walkinshaw (TWR's chief executive) will have to be really satisfied that the car could make money before starting work on it," said Mr David Boole, Jaguar's public affairs director.

All concerned acknowledge that, with a production run likely to be measured in dozens rather than in thousands, the car would be exceptionally expensive – probably more than the £150,000-plus which has been obtained by rivals Porsche and Ferrari for very limited edition cars such as the Ferrari F40.

Even limited production of the XJ220 would not be possible until the early 1990s.

The XJ 220 was conceived originally as an exercise for 12 Jaguar designers and engineers who volunteered to work on the project in their own time.

A large group of Jaguar component suppliers also collaborated on the development of the car, which was first conceived more than three years ago.

The four-wheel-drive system was jointly developed with Midlands-based FF Developments, while Park Sheet Metal of Coventry fabricated the body structure.

One JaguarSport model also unveiled at the show, based on the XJ saloon, is going into production and will be sold through a limited number of specialist JaguarSport dealers set up within Jaguar's overall dealer network.

The saloon is the second JaguarSport model produced for sale since the company was set up.

JaguarSport is expected to produce annually up to 2,500 units of sporting versions of all Jaguar's existing cars.

This would represent about 5 per cent of Jaguar's sales, which are forecast to rise by 10 per cent this year to 50,000, and to 55,000 in 1989.

Daf endorses new van range

By John Griffiths

DAF IS TO go ahead with a £100m-plus investment in a new van range to be built in the UK even if its current search for a partner on the venture is unsuccessful.

The new vans are intended to replace the Sherpa range, produced by Leyland DAF's Freight Rover subsidiary at Birmingham.

The company, which took control of the former UK state-owned Leyland Vehicles in a merger last spring, is also stepping up its purchases from UK component makers, to reach £300m in the current year.

This represents about one third of DAF's total annual spending on components and there is no reason why the proportion should not reach 50 per cent in the coming years, Mr Aart van der Padt, chairman of DAF's management board, said at the motor show.

He said that the increased UK purchases were based entirely on commercial considerations, such as the cost and quality levels being achieved by the UK components sector.

While DAF yesterday gave no precise figures, company officials said the company, through its Leyland DAF subsidiary, was running a balance of trade surplus on its UK activities.

Although most of the current spending in the UK is on parts for Leyland DAF's UK plants, "an increasing proportion is in the form of components built into vehicles which are exported from Britain and sold on the European Continent through DAF's 500-strong distribution network," said Mr van der Padt.

Restraint urged on developers' 'back-door' bills

By Charles Hodgson

DEVELOPERS should be prevented from promoting private bills in Parliament as a "back door" to obtaining planning permission, a joint committee of Lords and MPs recommends in a report published today.

The committee, set up to examine possible improvements to private bill procedure in the wake of recent controversial private legislation, says that the promoter of a private bill should be required to prove that legislation was necessary to achieve the essential purpose of the bill.

Where this purpose could be achieved by other means, such as through the normal planning process, those means should be pursued first.

The committee says that in principle in cases where planning considerations are dominant, all development plans for which private bills are presently required should be authorised by non-parliamentary procedures, including the holding of public inquiries.

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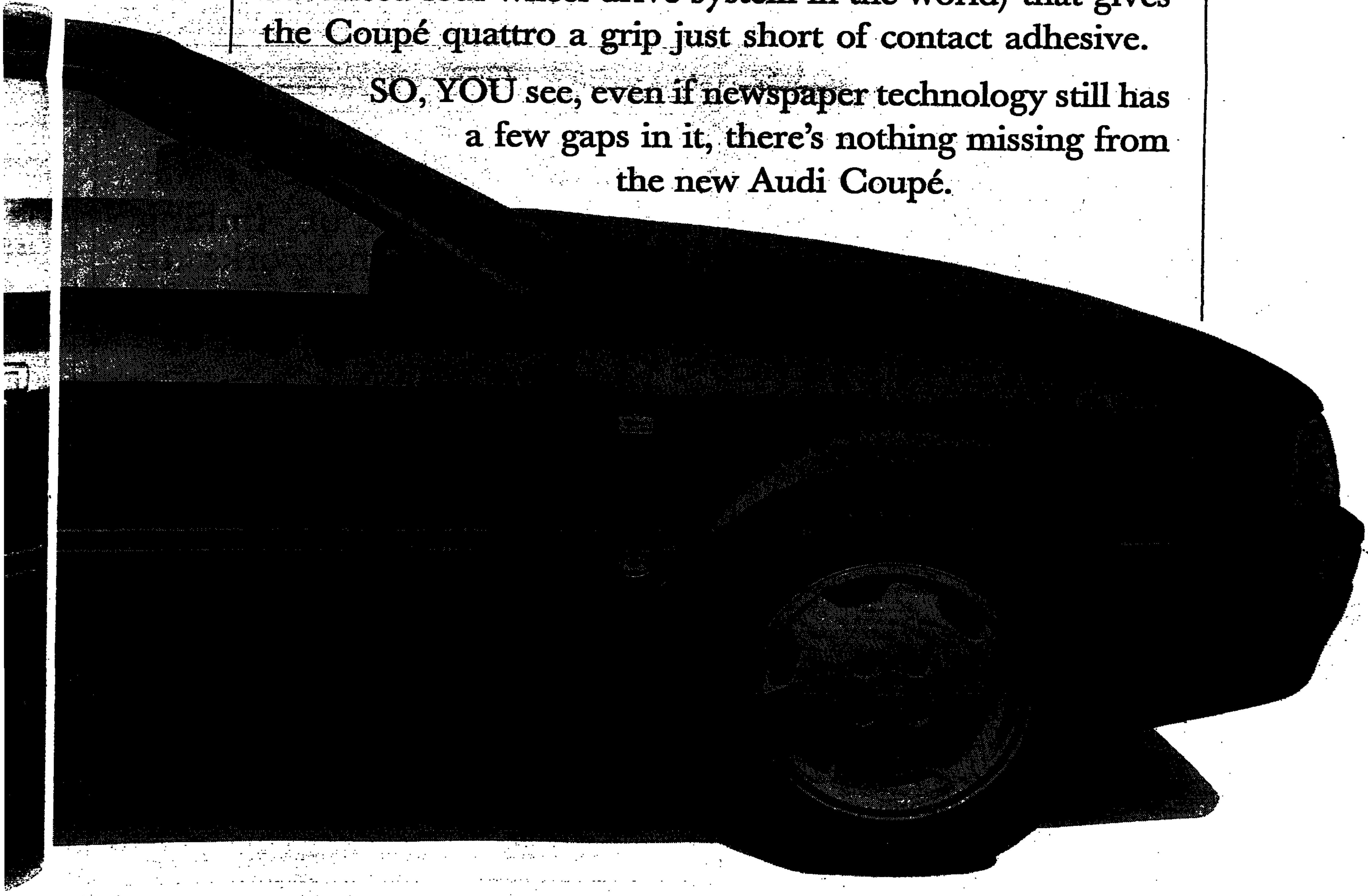

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TECHNOLOGY

Alan Cane examines Compaq's launch of its battery-powered SLT/286 portable computer

The battle of the lap-tops

Five years ago, Compaq Computer Corporation of Houston, Texas, announced the world's first portable personal computer that was able to run, without compromise, all the software written for IBM's desk-top PC.

Success was rapid. With revenues of $111.2m in its first year, Compaq made the Fortune 500 list of North America's leading companies by 1986. Since those early days there has been intense interest in the market for battery-powered portable computers, or lap-tops, an area offering great potential but which has so far failed to fulfil expectations.

On Monday Compaq took that step with the "super lap-top" SLT/286. Rod Canion, Compaq's president and chief executive, described it at the launch as "the first battery-powered personal computer that puts true, up-to-date desk-top PC capability in your lap."

When Compaq introduced its first portable, it had the field virtually to itself. That has all changed. There are now at least 18 manufacturers of IBM-compatible PCs and two dozen manufacturers of lap-top computers to contend with. Available lap-tops range from the Grid 1535 EXP, also launched this week, which uses Intel's fastest microprocessor (the 80/386) and costs $7,500 to Sir Clive Sinclair's Z88 portable costing a few hundred pounds.

Thus Compaq's claims to set a new standard in lap-top computing have to be seen in context.

Essentially Compaq set itself the target of providing all the functions of a desk-top PC in a machine small and light enough to be carried in one hand, which could operate for an adequate period on batteries alone. The machine is aimed at travelling executives, field engineers, accountants, consultants and auditors.

Power is the key to lap-top computing. It is comparatively routine, these days, to pack significant computing power into a small "footprint" (the space taken up on the user's desk) using mains electricity as the power source. Toshiba of Japan, for example, offers a mains-powered portable intended chiefly for desk-top use which uses the very fast Intel 80 386 chip.

Some manufacturers already offer battery-powered machines which use the 80 386 chip but, according to Compaq, battery life on one charge can be as little as 60 minutes.

The new Compaq is evolutionary rather than revolutionary. It does not seem likely to initiate a new era in computing, in which all executives carry a lap-top computer in their brief cases; but it does bring the power of a desk-top machine to executives and professionals working away from their offices without access to mains power.

Compaq says it has built a number of prototype lap-tops over the years but has never been satisfied with their performance. Only this year, it says, has the technology become available to create a lap-top computer without compromise: that is, with true IBM compatibility, with keyboard, screen and operating speed in no way inferior to a desk-top machine, and with storage – both fast RAM and slower disk – also up to desk-top standard.

The SLT/386 weighs just over 14 lb and is four inches high by 13.5 in wide and 8.5 in deep. The keyboard is detachable and the system can be used comfortably on an aircraft table.

In the office, the computer can be clipped into a desk-top pod or expansion base, which allows the installation of industry standard expansion boards for special applications and provides mains power to the system.

The heart of the computer is an enhanced nickel-cadmium battery pack, designed and built by Sony of Japan. In ordinary use, Compaq claims, the battery will last for more than three hours. It is possible to recharge the battery completely in less than three hours.

Compaq has developed software which manages the use of power by the computer, "turning off systems which are not in use and extending the time the system will run on one battery charge. According to Gary Stimac, vice president for systems engineering, the power management software extends the operating life three times.

The central microprocessor, as the name of the computer suggests, is Intel's 80/286 fabricated in CMOS technology, which combines speed with low power consumption. According to Compaq, this is the first year that a CMOS 286 has been available. It runs at 12m "ticks" a second.

Intel's fastest microprocessor, the 80/386, is available in CMOS technology but is still so power hungry that Compaq ruled it out as a possible chip for a lap-top.

The display is the most obviously outstanding feature of the SLT/286. It uses liquid crystal technology to achieve low power consumption and compactness (cathode ray tube displays are clear and cheap but bulky; electroluminescent displays are clear but expensive and demand a lot of power).

Technically described as "compensated supertwist", the screen is backlit for clarity and features more than 300,000 individual points (or pixels). The combination of processor speed and screen definition means that Compaq can offer what is known as VGA graphics, the highest quality available in personal computing. Obviously the picture is presented in shades of grey, but the image quality is remarkable. Stimac reckons that full-colour liquid crystal displays may be available in three years or so.

The company has made powerful use of ASICs (application specific integrated circuits) to reduce the number of chips in the system to five. The entire processing circuitry – 3.5-inch hard disk drive of 20 or 40 megabytes capacity, 3.5-inch floppy disk drive and up to 3.6 megabytes of fast storage – is built on to a single printed circuit board. There is extensive use of "surface mount" technology, where naked chips are soldered to contacts on the board surface to save space.

The floppy disk drive is Japanese, the hard disk built by Connor Peripherals, a US drive maker in which Compaq has a significant financial interest.

The new display is Japanese but Michael Swaveley, vice president for sales and marketing, is unwilling, for the moment, to name the source. It has only just become available and this has been the principal constraint on manufacture of the lap-top. He does not want competitors cornering any of his supplies.

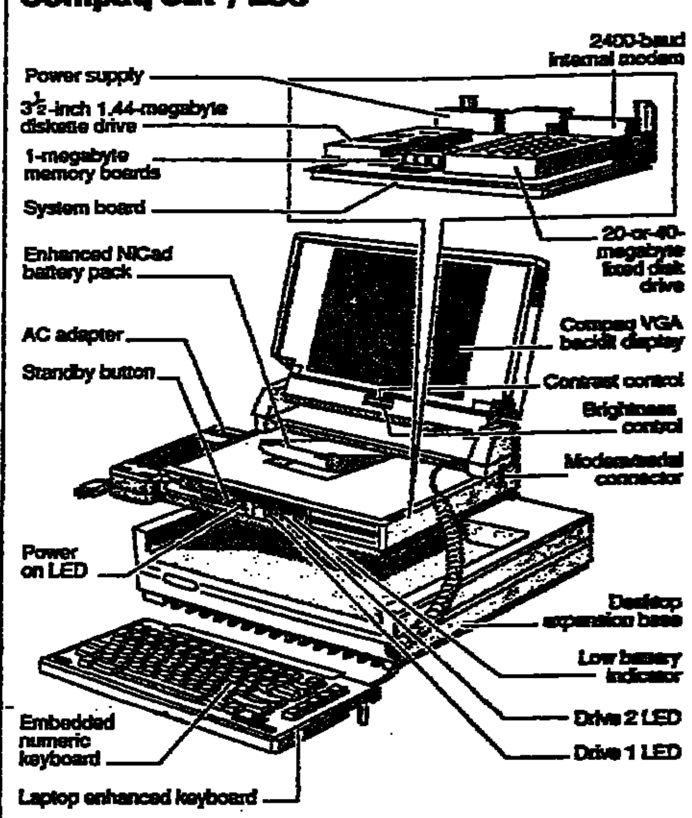
The SLT/286 runs MS/DOS, OS/2 or Xenix operating systems and can use any of the vast library of programs which run on IBM-style PCs.

Canion says: "In designing the SLT/286, we simply refused to make the trade-offs that have limited the convenience and usefulness of other lap-top computers."

Will Compaq's customers be satisfied after their long wait? If their criteria are engineering excellence and the ability to work in the field as if they were still at their desks, they will be.

The SLT/286 costs £3,395 (20 Mbyte) or £3,895 (40 Mbyte) in the UK.

Compaq SLT / 286



FIVE YEARS OF PROGRESS

	Compaq Portable 1983	Compaq Laptop 1988
Processor	16-bit 8088	16-bit 80/286
Fast memory	256,000 bytes	3.6m bytes
Display	9-inch video	10-inch LCD
Graphics	CGA	VGA
Storage	2x5¼ floppy	40-megabyte hard + 3½ floppy drive
Operating system	MS/DOS	MS/DOS, OS/2, Xenix
Weight	28lb	14lb
Cost	$2,995	$3,895

A place in space for US industry

By Peter Marsh

US INDUSTRY has a high level of interest in the idea of orbiting research and manufacturing operations, according to the US Commerce Department.

"The demand is sufficient to support reliable, low-cost facilities" for space manufacturing in the next few decades, it concludes in a report* on the commercialisation of space.

The report finds that companies are particularly interested in using space-based facilities to turn out new types of material. The conditions of vacuum and low-gravity may enable engineers to produce very pure forms of crystals and to achieve a purer separation of chemicals than on earth.

Activities that might lend themselves to space platforms, which could be manned or crewless, include production of drugs and other biological materials and development of novel alloys and semiconductor products.

Several US companies, including Spacehab and Space Industries, are considering the construction of space platforms which could house either low-gravity studies or manufacturing operations.

These modules could be lifted into orbit in the 1990s by the space shuttle fleet and operate alongside the large, permanently manned space station which the US plans to build.

US companies expressing an interest in space projects include Grumman and Boeing, in aerospace, and Merck and the US subsidiary of Wellcome of Britain, in pharmaceuticals. As a prelude to working in space 3M, IBM, Ford Aerospace and McDonnell Douglas have formed a space commercialisation consortium.

Outside the US, interest in the idea of orbiting workshops is particularly high in West Germany and Japan. West Germany has a consortium, known as Intospace, which includes Messerschmitt-Bölkow-Blohm and Dornier.

** Space Commerce: An Industry Assessment, Department of Commerce, Washington DC 20230, report stock number 003-009-00585-7, $7.*

Biotechnology in the supermarket

By Clive Cookson

FRESHNESS indicators that change colour as food gets stale, a "salmonella dipstick" to replace complex tests for food-poisoning bacteria, and the grading of fruit and vegetables in terms of taste rather than just size and shape.

These are three of the many potential applications of biotechnology in the £40bn UK food market, according to a study commissioned by the Department of Trade and Industry. The report, by Prospect Management Services (PMS), an industrial consultancy, is intended to tell financiers and commercial managers of the scope for diversification and product improvement through applying biotechnology in the food and agriculture sectors.

Many applications are ripe for small companies and need not cost millions of pounds, the report says. One example – the development of a quick enzyme-based sensor for B vitamins in food – could be developed within a year for only £10,000.

All the food, plant and animal applications in the report are opportunities for UK companies to exploit the latest British research. Government bodies spend £20m a year on biotechnology research.

However, many of the commercial opportunities offered by biotechnology have already been taken up in the human and animal health sectors, the report says. "In some areas the opportunity for newcomers to invest is already limited, even if novel products in that area are not on the market." For example, many parts of the Agriculture and Food Research Council's research programme into animal disease treatment and prevention are already covered by general agreements with international pharmaceutical companies.

"But in the food arena this is not yet so," the report says. "As the technology and its commercial application gather pace, this is bound to change. The window of opportunity is likely to be short-lived, which means that action should be taken now. If prior experience in other areas is anything to go by, later could be too late."

The 40 specific business opportunities suggested by PMS include:

- A freshness indicator for individual packs of supermarket food. It would have a sensor with a membrane sensitive to specific biological molecules, which would detect the "spoilage organisms" that build up when fresh food begins to go off – and change colour. This "litmus test visible to the consumer on fitness for consumption" would be far more precise than the standard "sell by" and "best before" dates. The report estimates that a suitable sensor could be developed within two years for £150,000.
- An instant kit to detect salmonella in food. Conventional microbiological testing for food poisoning bacteria takes four days. This could be replaced within two years by a light-based (chemiluminescent) kit, which would give an immediate and accurate indication of the number of bacteria present. "It is not hard to envisage its daily use in 500 UK food factories," the report says. An even simpler "salmonella dipstick", which could be used for routine checking by untrained staff, could be developed in four or five years.
- Grading fruit and vegetables by quality and flavour. A three-year research and development programme, costing £250,000, could produce a technique for analysing the natural acids and sugars in a tiny sample of juice. This would show whether the fruit or vegetable is ripe and how good it tastes.
- Developing micro-organisms which extend the shelf life of fresh foods. Some microbes excrete substances which are highly toxic to the organisms responsible for food spoilage (notably bacteria which produce lactic acid). The idea is to identify the genes responsible for these toxic substances, insert them into other organisms which are acceptable in food, and then treat fresh food with the resulting compound so as to retard spoilage naturally.

** Biotechnology for Businessmen – Opportunities in the Food and Agricultural Sectors. PMS, Prospect House, Copt Hewick, Ripon, North Yorks HG4 5DB. £25.*

RESIDENTIAL PROPERTY

HOLIDAYS & TRAVEL

LEGAL NOTICES

TO - KEVIN PATRICK KINSELLA ALSO KNOWN AS KEVIN KINSELLA OF JUNIPER HILL, WARRINGTON ROAD, MERE, KNUTSFORD, CHESHIRE WA16

TAKE NOTICE that a Statutory Demand has been issued by ALLIED IRISH BANKS PLC of 106/108 Portland Street, Manchester M1 4RJ

(Registered Office: Bankcentre, Ballsbridge, Dublin 4, Eire)

The Creditor demands payment of £17,391 04 plus costs and statutory interest making a total as at 10 October 1988 of £18,860.50. This amount is now due on a Judgement of the High Court of Justice, Queen's Bench Division, Manchester District Registry dated the 8th day of April 1988.

The Statutory Demand is an important document and it is deemed to have been served on the date of the first appearance of this Advertisement.

You MUST deal with this Demand within 21 days of the service upon you and if you wish to have this Demand set aside you must make application to do so within 18 days from its service on you or you could be made Bankrupt and your property and goods taken away from you. If you are in any doubt as to your position, you should seek advice IMMEDIATELY from a Solicitor or your nearest Citizens Advice Bureau.

The Statutory Demand can be obtained or is available for inspection and collection from:

Name: Sedgwick Phelan & Rowley
Address: More House, 429 Chester Road, Old Trafford, Manchester M16 9HA
Solicitors for the Creditor
Tel No: 061 872 5595
Reference: GKT/MM/A1898/Kinsella

CONTRACTS & TENDERS

SOUTHERN HEALTH AND SOCIAL SERVICES BOARD
N. IRELAND
NOTICE TO CONTRACTORS

Tenders for the provision of
(a) DOMESTIC
(b) CATERING
(c) LAUNDRY

Allied Portering Services

As part of the Board's programme for the competitive tendering of all its hotel services by 31st March 1990 applications are invited from established and competent contractors for inclusion on a select list of those who may be invited to tender for the above services which will be the subject of separate contract. The contracts will be based on detailed specifications which demand the highest standards of performance appropriate to the full range of health and personal social services provided by the Board and Contractors should indicate the service in which they are interested.

An application form for inclusion on the appropriate service select list together with an information pack are available on written request to:

The Chief Administrator
Southern Health and Social Services Board
20 Seagoe Industrial Area
Portadown
BT63 5QD

The completed application form with the relevant accompanying documents should be returned to the Chief Administrator not later than 4.30 pm on Monday, 7th November 1988.

COMPANY NOTICES

1863 SOLVAY 1988

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1) BONUS ISSUE OF 1 NEW SHARE FOR EVERY 20 OLD SHARES
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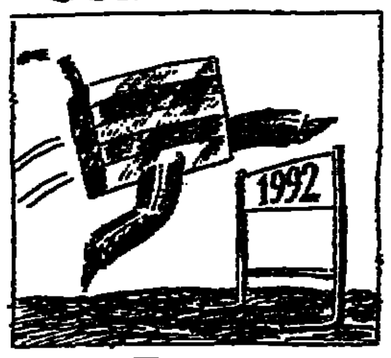
Manufacturing partnerships

Striving to develop the right chemistry

Christopher Lorenz continues his series on companies in the north-east of England by examining the chequered Continental experience of MTM, a rapidly growing chemicals manufacturer which this year formed a joint venture in France

MEDIUM-SIZED COMPANIES



The European challenge

The way David Fyfe describes it, his company's new French joint venture has been a nightmare to manage for most of the time since it was established in January. Until last month it had no chief executive, and not a single functional director. Nor was there a clear delineation of responsibility at lower levels. "It was impossible to pin the ultimate responsibility on anyone," he says.

Since the joint venture will account for over 40 per cent of this year's probable £50m sales by MTM, the Teesside chemical company where Fyfe became managing director in May, there would seem to have been quite a problem.

Fyfe has certainly felt frustrated, as has the company's founder and executive chairman, Richard Lines, who normally prides himself on much faster decision-taking than is usual in the chemical industry. But, with a more effective management structure for the venture just installed, they now see the difficulties as the gathering of good experience. And they continue to hold a very positive view of their much larger partner, the state-owned CdF Chimie (which has just been rechristened Orkem).

This is not the first time MTM has stumbled over a hurdle in its dash into the continental European market. Three years ago, when it was barely known there, it had to deal with what Lines calls a "near-disaster" caused by excessive price-cutting on the part of over-enthusiastic new agents. It has since progressed much further down what Lines calls "the learning curve of how to use agents".

MTM began manufacturing only five years ago, having started life as a management consultancy. Yet it now sells its intermediate chemicals to leading manufacturers of pharmaceuticals and to makers of other chemical products in 40 countries worldwide — over two-thirds of its turnover is now outside the UK.

MTM initiated the French joint venture because it had built up £12m of exports to continental Europe and needed at least one local production site in order to improve customer service and reduce its currency exposure. "I don't think we could have set up manufacturing on our own because we wouldn't have had the human resources to do it," says Lines.

MTM did make an acquisition at the same time in Italy, but this was much smaller and MTM's existing team of specialist engineers, financial staff and general managers was sufficient to plug the Italian company's gaps. MTM is now looking for either acquisitions or (more probably) joint ventures in West Germany and Spain.

MTM was founded in 1979 when Lines gave up his job as a marketing manager at ICI, Britain's leading chemicals multinational; he established it jointly with a friend who worked for Magna, a US chemicals company (and who retired last year because of ill health). In 1986 MTM went public on the London stock exchange, having grown unusually quickly through both internal expansion and a set of acquisitions, mostly in the UK but also in America.

Lines certainly has the sort of big-company ambitions which are common among entrepreneurs in America, but relatively rare in Europe; he talks of MTM growing at least five-fold over the next three or four years, to between £300m and £400m of sales.

Unlike most companies of similar age, MTM already has experience of joint ventures, having operated several of them successfully with ICI (which has since, in effect, exchanged these for a 20 per cent holding in the thoroughly independent MTM).

MTM is also unusual in having gone international in a big way right from its birth as a manufacturer. For the first couple of years it concentrated mainly on America and the Far East, partly because there was no language barrier and partly because prices were better than in continental Europe.

On the continent, the company relied initially on agents. As many young companies have discovered to their cost, "the big ones weren't interested, while the small fry were not very effective," recalls Lines.

It was while expanding his agency network in early 1985 that Lines made a move he soon regretted. Short of home-based staff with foreign languages, he hired several continental agents who were good linguists. Only nine months later he had to part company from them when he discovered they had reduced prices so sharply in order to win business that two German chemical majors were angered into an even more vicious bout of price-cutting, that would have driven MTM from the market if it had continued.

"The problem was that they didn't realise the full market ramifications of what they were doing," says Lines. "They weren't able to say 'I won't supply at that price'."

So why did MTM hire them? Partly because Lines overestimated their experience, and partly because "at the time we were having problems recruiting people of sufficient quality because of our size," explains Bill Harvey, who now heads a central MTM unit which supplies specialist expertise to MTM's various companies as required.

Once that hiatus had been resolved, MTM abandoned its previous general agency arrangements and switched to a series of specific agents for particular products, reinforced with direct selling by MTM personnel travelling from the UK. "Other medium-sized UK chemical companies haven't taken this approach — of sending 'their man' abroad accompanied by the local agent," claims Harvey.

The new approach paid off; by the end of 1986 MTM was doing £7m of exports a year on the continent, almost half its total export sales, against only £2.5m a year earlier. By then Lines had started to concentrate sales efforts on particular large companies right across the continent. "We were learning not to be clumsy, not to be perceived as a marginal seller," says Lines.

The decision to seek a joint venture in the heart of the continent came late in 1986, as exports were rising towards the £12m mark. Even before MTM's profitability began to suffer from currency movements in early 1987, Lines and his colleagues knew from their big company experience that it would be dangerous to continue relying just on direct exports.

In MTM's business of intermediate chemicals, there is an unusually long list of reasons, apart from currency exposure, for establishing local manufacture — even at such an early stage in a company's life:

- First and foremost, it is obviously dangerous to rely on feedstocks billed in one currency in order to manufacture in another, and then sell in a third. "Wherever possible one should incur costs, make, and sell largely in the same currency," argues Lines.
- Parochialism. "Most chemical companies (MTM's customers) prefer local purchasing," says David Fyfe. "People prefer to deal with others who speak the same language and share their culture."
- Just-in-time manufacturing. "A lot of customers insist on stock being within one day's travel," says Bill Harvey. "They want to be able to make an order for delivery the following morning."
- In those parts of its business which use recycled waste products from its customers' processes (for instance, in penicillin manufacture), MTM has no economic choice but to make locally.
- Safety. "Chemicals are not something you want to stick in someone else's warehouse," says Lines.
- Closeness to the customer. The ability to understand customers' requirements is obviously enhanced by being on the spot.

Given the scale of manufacture that MTM had in mind, a greenfield venture into the already crowded continental industry was a non-starter. So was a sizeable acquisition; not only was MTM too small, but there was no suitable candidate.

To prepare the ground for a joint venture, Lines and his colleagues spent much of early 1987 talking to the most suitable companies in the same sort of product areas as Marchem, the largest company in the MTM group. The choice came down to CdF Chimie and a Belgian company, which ruled itself out by insisting that it would prefer to buy Marchem outright.

Having used his ICI contacts to get in to see the head of CdF, Lines spent months negotiating, even after he had persuaded the French side to abandon its own initial reaction of offering to buy Marchem.

To some extent the operations of Marchem were complementary to those of the relevant part of CdF, a facility which makes organic intermediates at Loison, near Lille in northern France. But there was also plenty of overlap, leaving room for rationalisation.

Though MTM was marginally the larger — its side of the venture had sales of £18m, against the CdF unit's £15m — it was definitely the junior partner in practice. In order to secure the deal, Lines was forced to concede CdF a call option to buy MTM's share of the joint venture for three years from January 1991.

It is typical of Lines's entrepreneurial attitude that he seems unruffled by this apparent threat to his main European cash cow. "We had no choice but to do it that way, because CdF was unsure of us as a small company," he says.

"If they were to want to exercise the option, it would become obvious early on — and by then the venture would be accounting for only a small proportion of our group sales. So we could either shift manufacture elsewhere, or move out of that product range into something else," he claims. MTM would certainly have made a solid capital gain out of the venture.

Lines is more concerned about the slowness with which the venture has got off the ground this year. So is David Fyfe, who was recruited — also from ICI — earlier in the year to take over an onerous new role as MTM's managing director.

The venture's original structure was certainly more statesmanlike than effective. A supervisory board of two top managers from either side sat above a management committee of three from each side, all of them part-time. There was no managing director. Says Lines: "We asked 'who's the boss?', but we conceded the arrangement because the other side wanted it."

The two previous units continued to trade successfully, but not as a properly married couple.

When Fyfe arrived at MTM at the beginning of May, he found there was no really co-ordinated marketing policy, that most of the logistics of supply, manufacture, and delivery had yet to be sorted out, that the expected transfer of French production know-how had not yet started, and that it was not even clear where responsibility lay for deciding a wage settlement due at the UK site the same month.

It took from then until early August, and a string of meetings on both sides of the Channel, to agree a complete revamp of the structure, with a stand-alone board of two full-time executives from each side. One of them, an MTM man who speaks good French, has been appointed managing director under the new arrangement which took effect last month. His French deputy speaks good English. But there have still been awkward compromises: for example, the management will be peripatetic, rather than all being located on one side of the Channel.

The slowness in settling matters was not CdF's fault, nor was it caused by any difficulty in Franco-British relations, stress Fyfe and Lines. Rather, it was something "endemic to any large company — the other side was not always really empowered to negotiate, although we were," says Lines.

"Getting to the position where both sides in a venture have the same overt and covert objectives always takes time," adds Fyfe.

The various remaining marketplace conflicts between the two partners are in the process of being resolved, though in certain markets dual distribution channels will be maintained, at least for a time, each handling relations with particular established customers.

Curiously, the partners have not managed to agree on a common brand name for all the venture's activities; it will be Norscochem for most products, but Norsochimie for the French peroxides business.

In spite of all the teething troubles, MTM is still keen to use joint ventures with substantial partners in order to secure manufacturing bases in North Germany and Spain. "Then we'll have covered Europe as far as production and supply are concerned," says Lines. That will help put MTM in a position where it can at least dual-source across the world. "We intend to get things so we can play games with sourcing," Lines declares.

Spoken like the chairman of a true multinational.

Previous articles in this series appeared on October 12 and October 5. The next will appear on October 26.

Dr David Fyfe (left) and Richard Lines: Difficulties were seen as the gathering of good experience

JOBS

Players v workers ● Latest pay indicators

By Michael Dixon

Alas, regardless of their doom, The little victims play!

THOSE lines by Thomas Gray have been sent by Bill Ward of Derby in reply to a question the Jobs column asked eight weeks ago. The question was why so many people, particularly those in management, now use the word *players* – as in: "We've recruited some good players recently" – when what they are specifically referring to is workers?

Since the 34 readers who responded included four nationals of Continental countries as well as three from the United States, it seems that the odd usage is not confined to the English tongue. But only 12 of them endorsed my theory that the origin of the oddity, which I've most often heard spoken by City bankers and such, is the use of the word "players" in the sense of "gamblers".

Mr Ward is alone, though, in seeing still more chilling implications in the usage. He suggests it has similarities to the portraits that people once had painted of themselves in shrouds to remind them they must die. In short, those who call workers "players" are implying, as did Gray, that the persons so referred to are of little ultimate importance.

Despite the ingenuity of that claim, I doubt it can be true. After all, I have heard several top managers refer to themselves as "players" and none gave the slightest sign of thinking they were less than supremely important, at a modest estimate.

Indeed, most readers who replied saw nothing odd in the usage at all. It simply meant someone operating as part of a team rather than individually. Hadn't the Jobs column ever heard of "team-play"?, three of them asked.

The answer is that I have. But have they never heard of *teamwork*?

Rewards

NOW to the table alongside indicating the pay of various types of managers in Britain as shown by the latest of the Reward consultancy's twice-yearly surveys. It is based on data from 800 companies of assorted sizes and kinds throughout the land, and anyone wanting full details of the study should contact the consultancy at Reward House, Diamond Way, Stone Business Park, Stone, Staffs ST15 0SD; tel 0785 813566, fax 0785 817007.

While the table refers to 18 types of executives, all are of similar seniority. They are the managers immediately below director, except in small companies where they may be on the board although doing the same level of work.

The first two columns of figures give the basic salary then the total pay received in cash – salary plus bonuses and the like – of the lower quartile manager. That is the one who would be a quarter way up from the foot of a ranking of all of similar seniority in the same type of management.

The next four columns refer to the median manager half-way in the ranking. First we have the basic salaries and the total money rewards as shown by the most recent survey, followed in brackets by the median figures from the survey 12 months earlier. Then come the latest salaries and total cash rewards of the upper quartile executive a quarter of the way down from the top of the ranking.

Anyone wishing to use the table to make comparisons should bear in mind that it relates to companies of all sizes in all regions of Britain, and shows pay levels as at July 1. To bring the figures up to date, the whole lot need to be raised by 1.9 per cent.

Regional variances on the overall median basic salary of £21,614 were: *Higher* – London by 15.7 per cent, Scotland by 9.7, and South-east England by 2.5 per cent. *Lower* – North-west England by 3.7 per cent, North-east by 7.5, Eastern counties by 9.3, South-west by 10.2, and West Midlands by 13.0 per cent.

Variances from the £21,614 median by company turnover were: *Higher* – £100m-plus by 20.3 per cent, and £40m-£100m by 10.5. *Lower* – £15m-£40m by 0.9 per cent, £5m-£15m by 9.2, and up to £5m by 12.1 per cent.

Rank One = *Most senior manager below level of director** in:	LOWER QUARTILE Basic salary £	Total money reward £	MEDIAN Basic salary £	Total money reward £	(Basic year earlier) £	(Total year earlier) £	UPPER QUARTILE Basic salary £	Total money reward £
General management	21,374	21,780	25,347	27,250	(25,000)	(25,500)	33,000	35,000
Finance and accounting	20,000	20,987	23,360	24,500	(21,750)	(22,355)	28,212	30,000
Administration	18,975	19,775	21,398	22,451	(20,000)	(20,914)	25,946	26,572
Advertising & PR	22,921	23,000	25,000	25,855	(-)	(-)	30,000	31,006
Company secretariat	20,000	20,450	24,000	25,000	(21,245)	(22,400)	29,000	32,000
Surveying/architecture	17,500	17,500	19,472	19,950	(16,908)	(15,908)	24,000	24,000
Computing	18,500	18,771	22,077	23,022	(20,450)	(21,090)	28,224	28,852
Distribution & transport	18,684	18,913	21,000	21,000	(19,825)	(20,750)	24,501	25,877
Engineering	16,831	17,600	20,000	20,309	(18,565)	(18,912)	23,825	24,144
Management services	18,193	18,390	22,156	22,438	(17,782)	(18,785)	27,062	28,305
Marketing	19,500	19,981	22,844	23,250	(21,000)	(21,495)	27,000	27,950
Personnel	19,000	19,425	21,500	22,500	(19,980)	(20,784)	25,019	26,000
Production	16,513	17,250	19,040	19,863	(17,758)	(18,077)	22,575	23,509
Purchasing	17,633	18,284	20,080	20,266	(19,050)	(19,218)	23,510	24,000
Quality assurance	16,959	18,051	19,120	19,570	(18,000)	(18,281)	22,155	22,903
Research & development	18,000	18,024	21,332	21,750	(19,300)	(20,000)	24,800	25,700
Sales	18,495	19,164	21,065	22,500	(19,234)	(20,459)	25,007	27,000
Scientific department	19,378	19,968	22,995	23,310	(22,665)	(23,096)	28,707	29,500
Legal advice	22,674	23,202	26,957	27,000	(23,773)	(23,805)	30,625	30,625
All Rank-One managers	18,250	–	21,614	–	(19,824)	(–)	25,948	–

* In small companies could rank as director, otherwise reporting directly to board-member.

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Executive Division Anderson, Squires

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Closing date: 30 November 1988 Ref. PA.6.10.2

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FT LAW REPORTS

Bank not liable for looting

LIPKIN GORMAN v KARPNALE LTD AND ANOTHER

Court of Appeal (Lord Justice May, Lord Justice Parker and Lord Justice Nicholls): October 13 1988

A BANK is not liable as constructive trustee for sums withdrawn by a partner from his firm's client account, if the firm fails properly to plead and prove that the bank had reasonable grounds for believing he was operating the account dishonestly. Also, the exchange of gambling chips for cash by a licensed club, unaware that it is stolen, is good consideration giving rise to a valid contract distinct from any subsequent gaming contract, and the club is therefore not liable to the original owner for money had and received.

The Court of Appeal so held when allowing an appeal by Lloyds Bank plc from Mr Justice Alliott's decision (*[1986] 2 FTLR 278*) that it was liable as constructive trustee for money stolen from a clients' account held by solicitors, Lipkin Gorman. The court by majority dismissed the solicitors' appeal against Karpnale Ltd, operator of the Playboy Club, from the judge's decision that it was not liable for moneys had and received.

LORD JUSTICE MAY said that Mr Norman Barry Cass was a compulsive gambler. From 1978 to 1980 he was a partner in the solicitor's firm, and able to draw on their clients' account on his signature alone. The account was maintained at the bank's Brook Street branch. Mr Cass' resources were insufficient to fund his addiction and from July 1979, he began to use money from the clients' account. The net loss to the account could not have been less that £222,908.

Before Mr Justice Alliott the solicitors succeeded against the Playboy Club on a claim for conversion of a draft of £3,735 improperly accepted by the Club for gaming purposes. They succeeded against the bank as constructive trustee of the money in the clients' account, on the ground of want of probity of the manager of the Brook Street branch. The judge held that the solicitors discovered Cass's dishonesty by October 1 1980 and had only themselves to blame after that date. He computed their loss over the period from May to October 1980 as £87,187.

In the present appeal the solicitors contended that the club was liable to them for the full amount of £222,908 as money had and received, and that they were entitled to maintain the judgment for the conversion of £3,775. Against the bank they claimed the full amount lost on the basis that the bank had at all material times, not just for six months, been a constructive trustee.

There was a simple answer to the claim against the club, namely that it took Mr Cass's money *bona fide* without notice of the defect in his title and for value, save in respect of the £3,375 draft.

The solicitors argued that the club had not taken Mr Cass's money for value because it had done so under a contract made void by the first limb of section 18 of the Gaming Act 1845 ["all contracts... by way of gaming or wagering shall be null and void"].

In *Ellesmere v Wallace [1929] 2 Ch 1* the court held that a contract "by way of" gaming meant a contract "for or of" gaming. Thus if a contract came into being on the exchange of money and chips, it was not avoided under the Act.

Counsel alternatively submitted that no contract was made - all that happened was that the parties treated cash as interchangeable.

That was not a realistic analysis. For his money Mr Cass obtained chips which enabled him to game; he could use them for cash when purchasing refreshments in the club; it was implicit that the club undertook to cash all his chips when he wished it to do so and to give him the appropriate sum of money. Such an arrangement was clearly an agreement supported by valuable consideration, and must have been a contract, though not one by way of gaming or wagering. Therefore the claim against the club on the basis of money had and received had to fail, as the judge held.

On the appeal against the bank, the bank objected that the contention that its manager was aware of Mr Cass's fraudulent designs and was party to them, was not open to the solicitors on the pleadings.

Where fraud or dishonesty were material it must be clearly pleaded. In the present case the allegations on the pleadings, even if fully made out, were wholly inadequate material on which to base a finding or an inference of fraud or dishonesty on the manager's part. The finding against the bank on that score could not be upheld.

The banker's basic contractual obligation was to pay his customer's cheques in accordance with mandate. Any implied term requiring him to exercise care must be limited. It was only when circumstances were such that any reasonable cashier would hesitate to pay a cheque at once and would refer it to his superior, and where any reasonable superior would hesitate to authorise payment without enquiry, that a cheque should not be paid immediately on presentation and such enquiry made (see *Barclays Bank v Quincecare [1988] 1 FTLR 507*).

Mr Cass was introduced to the bank by the solicitors. He did not use his own account or his loan facilities properly or truthfully. Bank officials recognised that a substantial number of cheques were drawn on his personal account to enable him to gamble. The bank was under a clear obligation to Mr Cass not to make known to anyone, including the solicitors, information which came to it as a result of his personal account (see *Tournier [1924] 1 KB 461*). If the manager had or ought to have learned of the frequent and substantial withdrawals by Mr Cass in cash from the clients' account, even the limited duty of care to which he was subject would have required him to tell the solicitors.

The judge's finding that the bank had reasonable grounds for believing Mr Cass was probably operating the clients' account in fraud was based on a case of dishonesty which the solicitors were not entitled, on the pleadings, to raise. He was wrong to conclude that the bank acted in such a way as to render itself constructive trustee for the solicitors, or committed any breach of its limited duty of care.

LORD JUSTICE PARKER said that the whole basis of the exchange transaction with the club was that Playboy would redeem chips when presented and would accept them as payment for meals or drinks. Such a promise was good and valuable consideration for the payment of the cash. The transaction was separate and distinct from the subsequent gaming which it enabled to take place. The solicitors' claim against the club failed.

With regard to the claim against the bank, on the pleadings there was no allegation that the manager had reasonable grounds for believing that the *probability* was that Mr Cass was operating the client account in fraud, or that he knew what he would find if he looked at the account but dared not look. The judge's findings impugned the honour of a man who had had no opportunity to give evidence. They upheld a charge of serious dishonesty which was not within the particulars pleaded and should not have been made.

There was no basis on which it could be said that a reasonable banker would have had any reason to believe that there might be something wrong with the operation of the client account. The manager knew Mr Cass was an uncontrolled gambler, but there was nothing on the evidence which suggested that a reasonable bank manager would have had reason to believe he might be looting the clients' account. Despite his shortcomings in his dealings with the bank he came recommended by a highly respectable firm of solicitors and any bank manager would have regarded such fraudulent conduct as virtually unthinkable.

The bank's appeal was allowed.

LORD JUSTICE NICHOLLS agreed that the bank's appeal should be allowed but dissented on the solicitors' appeal against Playboy. He said that receipt of money up front by the croupier or cashier in the casino from a would-be gambler on terms that any money not lost on gaming would be refunded, did not constitute the giving of valuable consideration by Playboy for the purpose of its acquiring good title to stolen money.

For the solicitors: Dermod O'Brien QC, Thomas Putnam and Simon Gaunt (Reynolds Porter Chamberlain)

For the club: Gavin Lightman QC and Alan Boyle (Clifford Turner)

For the bank: Jonathan Sumption QC and Richard Slade (Linklaters & Paines)

Rachel Davies
Barrister

Politics reduced to soap opera

Lionel Barber looks at the influence of television on the US election campaign

The decisive moment in American television coverage of this year's election came just after the first presidential debate. ABC News's anchorman Peter Jennings, one of a panel of interviewers who had just grilled Vice President George Bush and Governor Michael Dukakis for 90 minutes, was asked how he thought the two candidates had fared. Well, Mr Jennings replied, since he had not seen the event on television, he would rather not comment.

Peter Jennings is not the only professional who has had a hard time sorting out image and reality in this year's election. Covering the campaign in America, I have often found it difficult to adjust to the pervasive role of television and to grasp how just how much it defines the tactical battle between Messrs Bush, Quayle, Dukakis and Bentsen.

What is hard to accept is the way television here has allowed itself to become an accomplice to the crimes of all the candidates, particularly Mr Bush: the trivialisation of political issues and the avoidance of serious debate. To paraphrase American critic Mr Mark Hertsgaard, television has covered the 1988 election on bended knee; any further genuflection could well prove harmful to the body politic.

This is the year, we are told, that the campaigns grew yet more sophisticated in their use of television. It is the year of the "sound-bite," the 30-second visual clip of the candidate equipped with a punchy message pre-packaged for the nightly news; the year when the Republican and Democratic conventions became mere stage sets for the candidates to pose for the photographs now appearing in in the national and local TV advertising campaign.

True, the campaigns have been skilful in their use of television. They have to be. Back in the first race of the campaign, the Iowa caucuses, some 6,000 journalists and 60 satellite trucks jammed into Des Moines to cover a supposedly decisive election. In the event, both Mr Bush and Mr Dukakis, the eventual election winners, came in third. But the early message to the campaign managers, staring at a media monster demanding a daily diet of pictures and words, was clear: control or be controlled.

The Bush campaign understood this far earlier than their rivals. Although for months he had been branded as a wimp, when Mr Bush turned round with one good speech at the Republican convention television ran with the story of an aggressive new leader, even though reporters knew it was just as much a distortion as the earlier "wimp" story.

The re-packaging of Mr Bush is largely the work of one man, the portly media guru, Mr Roger Ailes, who learnt his trade 20 years ago with Richard Nixon. Mr Ailes is the man behind the Republican "attack adverts" characterising Mr Dukakis as soft on murderers and rapists, a liberal who is out of touch with mainstream America. The combination of TV advertising and TV news coverage both pumping the same anti-liberal theme is one reason why Mr Bush turned round a 17-point deficit in the opinion polls before anyone could say "Mike Dukakis."

Mr Ailes understands the needs of the three half-hour nightly network news shows broadcast nationwide by ABC, NBC, and CBS. Stick to a sharp, simple message. The Bush campaign has excelled at this.

Among its many triumphs was extensive, uncritical coverage of Mr Bush steaming around in Boston Harbour and labelling Mr Dukakis a polluter in his home state. Even more effective was the regular nightly shot of the Vice President reciting the Pledge of Allegiance to the American flag. Ostensibly a Republican attack on Mr Dukakis for vetoing a bill mandating the Pledge in Massachusetts schools, the more lasting impression was that the Governor was somehow unpatriotic.

In early September, Mr Dukakis tried to bounce back on to the screen by appearing near the forest fires in Yellowstone National Park. A great shot maybe, but the Governor was running for president, not chief fire officer. That same week Mr Dukakis, heckled by anti-abortion protestors in Philadelphia, told them he respected their right to disagree. It was a defining moment in the campaign: Mike Dukakis came across as weak and ineffective, while that same night a de-wimped George Bush was filmed shouting down angry dock-workers in Portland, Oregon. Some suspected that the Republicans had co-ordinated both events.

American television has allowed itself to become accomplice to the crimes of all the presidential candidates: the trivialisation of political issues and avoidance of serious debate

Television likes to depict itself as powerless when confronted with the likes of Mr Ailes. The question is whether television has been a willing victim.

The nightly news suffers from its rigid format which relies on lucrative advertising slots constantly breaking into the news broadcast. Last February, the CBS anchorman Dan Rather tried to break out by staging a live interview with Mr Bush intended at prising open his role in the Iran-Contra scandal. The exercise backfired because Mr Rather turned aggressive and Mr Bush – pre-programmed by Mr Ailes – struck back. The interview made "great television," but it was not news, merely entertainment.

American TV journalism also puts itself at a disadvantage because it tries to draw clear lines between comment and news, and relies on outside "talking heads" to offer context and judgment. This can lead to the absurd position where a network anchorman paid a million dollars a year can open his news show, 20 hours after Senator Dan Quayle was a clear loser in the vice presidential debate, with the words: "Who won, who knows?"

Television – which often boasts of its power – often seems frightened by it, although the networks recovered their nerve last week when they scored Mr. Bush a clear winner in the final presidential debate. However, the general rule is to surrender to the rent-a-quote campaign advisers, as happened after the first presidential debate in Winston Salem, North Carolina. Several of these "spin-doctors" were seen sprinting out of the debating hall to make it first to the TV cameras to claim their candidate had won. The networks duly gave them air-time rather than analysing what the candidates had said.

Do not blame the TV correspondents. They usually do their best, considering the limited time available, the tyranny of the visual image, and the medium's pre-occupation with the dramatic moment. A more deserving target for criticism is the recent proliferation of the "talk shows" – the round-table discussion groups which produce a seductive mix of news and entertainment.

One of the most popular is the *McLaughlin Group*, a weekly show which is broadcast on 271 TV stations around the country, reaching more than 2m viewers and ranking as one of the most-watched public affairs shows. It is chaired by Mr John McLaughlin, a former Jesuit priest and White House speech writer.

Watching *McLaughlin* is like watching a cockfight. The journalists – all respected wordsmiths – are also good actors, playing their appointed roles of red-meat conservative and soft-boiled liberal and shouting each other down mercilessly. Three or four minutes are allocated to each subject, at the end of which McLaughlin – a sort of Sir Robin Day on steroids – either asks a question requiring a simple "Yes" or "No" or he whips the panel into giving a 1-10 damage assessment.

Not everything looks so uninviting. Some 52.6 per cent of all US TV homes have cable television, up from 17.5 per cent ten years ago, and many of the cable concerns put out a better-than-average news service and are presenting the networks with much-needed competition.

C-Span, for example, regularly carries full-length political speeches by the candidates. Cable News Network (CNN), Ted Turner's Atlanta-based company, also provides a fast-improving product throughout the day. The hour-long McNeil-Lehrer programme on the Public Broadcasting System which treats news in depth is excellent.

Yet these stations remain minority viewing. The general public knows it is being hoodwinked by over-programmed, over-scripted candidates. Polls show that people resent it, but they are not sure what to do about it. Perhaps, they will exact vengeance on election day. Certainly, unless television learns to exercise some of its vaunted power, the candidates will continue to ensure that the image remains reality and the campaign reduced to mere soap opera.

Alastair Muir

Jennifer Landor and Julie Legrand

Mrs Vershinin

RIVERSIDE STUDIOS

Having done a reputation-restoring job on Maugham's Mrs Gauguin, Helen Cooper turns her witty attention on the unseen wife of the battery captain in Chekhov's *Three Sisters*.

But this is no feminist back-chat. In Mike Bradwell's sumptuous near-Soviet 90-minute production on a magnificent design by Geraldine Pilgrim, this is a Chekhovian counter-play, making scenic use of a classic in much the same way Tom Stoppard did with *Hamlet* in *Rosencrantz and Guildenstern Are Dead*.

Vershinin (Paul Bentall) comes back for lunch full of the Prozorovs and the name day celebrations. His wife is unpacking with her parents in a great glass and steel living room having emerged from museum exhibition stands to the stage left. A bird has miraculously crashed through a window. The captain drones on about progress and hope for the future (repeating himself all the time from Chekhov).

The squalid creature who keeps trying to poison herself is revealed by Julie Legrand to be a trapped neurotic with anxiety dreams and a brother fixation. In tender flashbacks with her best friend, a vegetarian teacher (Jennifer Landor) who has had an affair with her father, Yeliena Vershinin unfolds a story of failing to catch much love or attention. Even when wooing in the autumn at Yalta she proves a schizophrenic liability.

These scenes might have been maudlin, but are in fact dagger bright and very well acted. The theme from *Onegin* weaves in and out of Stephen Warbeck's fine piano score, expertly played by Mary Chater. The parents, Rosalind Knight and Christopher Guinee, indulge in poisoned table chat, bleached but funny in a sub-Chekhovian manner, and Yeliena is shocked back to a sense of parental duty by Chekhov's third act fire.

The performance needs to inhabit more of the set, and more vocal push would not hurt. But this is such a refreshingly unusual enterprise of atmospherics, funny text, relative dramaturgy and good design (the full length windows, generous perspectives and creamy crumbling provincial structure are evocative of a Slav new theatre look practised from Wajda to Vasiliev), that quibbles perish.

Julie Legrand shakes off the dream of endless men in hats encircling her bed to retain less hope and more faith. Three years on, her parents are back once more to pack. Vershinin is off to Poland. For her, and the two girls, Moscow beckons. Masha would be doubly furious.

Michael Coveney

Lohengrin

STATE THEATRE, WIESBADEN

British stage directors are a rare breed in the German opera world. One or two, like David Pountney and Graham Vick, have been welcomed because their production style is not far removed from the kind of "concept opera" now dominant in West German theatres. But there seems to be a jinx on more traditional, naturalistic producers like Peter Hall and John Cox, who have been unable or unwilling to adapt their production techniques to German conditions. Ian Judge might have pondered this before agreeing to stage *Lohengrin* at the State Theatre in Wiesbaden, where his *Macbeth* production for Opera North made a guest appearance at this year's May Festival.

The most sensible course would have been to choose an opera less central to the German repertory. But having accepted *Lohengrin*, Judge should have known better than to present it merely as a colourful historical legend. At its best, his production resembled a sophisticated amateur performance, and at its worst, a run-of-the-mill repertory revival. It lacked detailed characterisation, psychological insight, dramatic truthfulness, or, indeed, any sign of what was really going on behind words and music.

Russell Craig's single set placed the action in a small arena bounded by a semi-circular veranda structure, with the River Scheldt and a Gothic church just visible in a wintry background landscape. A portcullis and flight of stairs were added for Act 2, and a tall drape of red curtain at the start of Act 3. For Lohengrin's arrival and departure, a circular shield bearing a swan motif was lowered in a puff of smoke. There was little sense of mystery or mythology in this – or in Deidre Clancy's quaint costumes, an elaborate jumble from the Middle Ages to the Napoleonic Wars. So, the evening remained stage-bound from start to finish.

Fortunately there is another half to the story. The musical direction was in the hands of Ulf Schirmer, barely 30 years old and newly installed in the post of *Generalmusikdirektor* in Wiesbaden. The State Theatre – one of many built around Europe in the 1890s by the Viennese architectural team of Fellner and Helmer, and one of the few German theatres to escape wartime bombing – has traditionally proved a useful stepping stone for the best young German conductors. One hesitates to speak of *Das Wunder Schirmer* – but on the evidence of this *Lohengrin* and some of his other recent work, it will be no surprise if Schirmer follows in the steps of illustrious predecessors like Klemperer and Sawallisch.

The seamlessness of the string lines and blending of instrumental voices were the stamp of an unusually gifted orchestral technician. Schirmer's natural grasp of the structure of the music, of the long breaths and mature climax, gave the performance a calm authority, while the dramatically punctuated orchestral outbursts of Act 2 were exactly and thrillingly placed. Orchestra and chorus responded with verve and refinement.

The cast included a poised and dignified King Henry from Johann Werner Prein, and a crisply-sung Herald from Elke Wilm Schulte. The tall, sunny-faced Elsa was the American soprano Sue Patchell, who grew in vocal confidence as the evening progressed – unlike the tenor Norbert Orth, a diminutive, unheroic figure who took over the title role at three days' notice and bore the bewildered, faintly comic look of a Germanic Dudley Moore.

Andrew Clark

Polish National Radio Symphony Orchestra

BARBICAN HALL

The Polish descent upon the Barbican on Monday was a heavy-duty affair: a very large band, two substantial works – the Sibelius Fifth and Chopin's E minor Piano Concerto – which didn't require it, and two further pieces where one would have sufficed. Prokofiev's "Lieutenant Kijé" Suite was passable, if tame; but national pride was ill served by playing a wildly over-orchestrated version of Szymanowski's "Nocturne and Tarantella" as a gross, inept prelude to the Sibelius. The conductor Antoni Wit should have replaced the Prokofiev with better Szymanowski – we know from recordings that the Polish National Radio Symphony are fine Szymanowski specialists, as indeed they ought to be.

That was a missed opportunity; nevertheless, the main works gave serious pleasure. This is a musicianly orchestra of character (Slav, mostly), not over-concerned with the super-precise ensemble that has become a Western fetish. Their Sibelius sounded the warmer for that – though the continual string pizzicato in the Andante was admirably clean, and so was the excited pianissimo chatter in the Finale.

Besides the very creditable strings, there were frank, open trumpets *à la Russe*, and a first bassoon with a striking upper register (much favoured in this programme): almost vocal, forcefully projected, never nasal. In a few details, Wit's treatment of the symphony departed interestingly from established Western readings. Those points, however, were marginal to the overall effect of the performance, which was sympathetic, thoughtfully controlled and gripping without recourse to cheap orchestral thrills.

There were certainly no orchestral thrills in the Chopin concerto (in fact I can't recall hearing a humbler accompaniment to the elegant A major tune in the Rondo: it *must* have been under-rehearsed). None, fortunately, is needed for the soloist Kun Woo Paik commanded all one's attention. Wielding an unwontedly big sound along with his familiar liquid delicacy, and an exquisitely refined rubato too, he dressed the piano-writing in iridescent hues. Paik has been a rewarding artist for a good many years now, but this performance rose to a new level of authority and imaginative resource.

David Murray

Dancing and Shouting

THE PLACE

Dance Umbrella, celebrating its tenth year as a shelter for experimentation of the best and sometimes most tiresome kind, began its five week festivities on Monday night. As an opening shot across our bows, Second Stride presented Ian Spink's new theatre piece, *Dancing and Shouting*.

Second Stride is concerned quite as much with talk as with movement, with polemics as with dance ideas, and like *Weighing the Heart*, Mr Spink's earlier exercise, this latest venture is a grab-bag of allusions, subliminal references, and pious good intentions. And like *Weighing the Heart*, it taxes one's own good intentions towards the innovatory ambitions of the enterprise.

Visually the piece is bold, effective. Antony McDonald provides a setting of eight office blocks – a hideous cityscape in miniature – set in shallow troughs of water. The cast of nine (plus a trio of musicians) are clad as urban dwellers. Conversation and speeches set up strands of narrative: a man and woman talk in domestic cliches; a scientist discusses research into DNA; a homosexual murderer recounts his many crimes; we hear a helicopter pilot describe an oil-rig fire; two hilarious monologues encompass a psychotic girl giving birth in a night club, and a winsome ballet-fan listing her collection of newspaper clippings. Well-worn themes of non-communication, of scientific impotence, of the fatuity of living, clatter into view.

Accompanying them are fragments of dance, mostly under-developed, during which the dancers seem to be doing their own thing, and portentous slow-motion dressing and undressing. The water, of course, lies there in wait for the producer's attentions, and eventually stakes its claim to the dancers. They bathe, wash themselves, obsessively clean their clothes (while still dressed), and generally splash about, before eventually hurling books at the buildings and the water in an access of impotent fury as civilisation fails them.

It is, in sum, one of those evenings where, if you have not been rendered catatonic by the obscurity of what is going on – or by aghast recognition of yet another reverberant truism about Our Threatened Society – certain theatrical ideas are hauntingly effective. A moment when arms and legs project from the windows of the setting, the occasional eruptions of blind and frantic energy, images of loving care between people who have become derelicts, are both vivid and shocking. But the over-riding problem for me is that Mr. Spink's various threads of meaning are not yet taut enough, and his messages far too generalised. By focussing his action, he can focus our comprehension.

The cast work with entire conviction. The score, by Evelyn Ficarra, ranges from amorphous wailing by a soprano, with clarinet and percussion joining her, to a tough and atmospheric sound track that menaces the performers and their world. The production will be stronger when it menaces us.

Clement Crisp

ARTS GUIDE — October 14-20

THEATRE

London

Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references. (638 8891). Oct 19,20,24,25, Nov 4,5,11-15.

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life. (928 2252, cc 240 7200).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward: worth seeing (379 6107).

South Pacific (Prince of Wales). Average revival with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin decorate Mike Ockrent's strong revival of Sondheim's 1971 musical. (379 5399).

The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy. (930 9832, CC 379 4444).

Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a genuine classic (437 3686).

The Sneeze (Aldwych). Eight short Chekhov pieces translated and adapted by Michael Frayn with Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding. (836 6404, CC 379 6233).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality. (836 8888).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music: visually startling. (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US. (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original in London will barely recognise its US incarnation: spruced-up stage and American scenery distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7150).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Driving Miss Daisy (Eisenhower). Julie Harris stars in the Pulitzer Prize winning play about racism in the South. (254 3670)

Sleuth (Eisenhower). Stacy Keach and Marwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3679).

Tokyo

Kabuki (Kabuki-za). Performances at 11am and 4.30pm. The morning programme includes Moritsuna Jinya, a play set in an age of civil strife – a popular actor's vehicle, since the role of Moritsuna is considered one of the finest in kabuki. In the afternoon: Kagamiyama Gonichino Iwafuji: a play noted for its spectacle – scattered bones rising up to form a complete skeleton and a beautiful mansion transformed into a haunted house. Excellent programme and earphone commentary in English. (541 3131).

Gorky Theatre, Leningrad, in Chekhov's Uncle Vanya, Peter Schaffer's Amadeus. The Bolshoi Drama Theatre, better known as the Gorky, was founded in 1919. In recent years its repertoire has been widened to include new, if uncontroversial works from the West. Globe Theatre (572 6331).

Aoyama Theatre. The 35 Steps. Musical revue by the Shiki Theatre Company, which specialises in musicals and is 35 years old this year. Extracts from major Shiki productions, from West Side Story to Phantom of the Opera (0120-489444).

SALEROOM

Porcelain loses its gloss

It was always reckoned that the British Rail Pension Fund's sale at Sotheby's of its continental porcelain would give the concept of investing in art its biggest challenge, and so it proved. The Fund was hoping to raise £800,000 for its pensioners but only managed £569,860. There were some excellent returns on its purchases of the mid-1970s, when it was advised by Sotheby's, but also some glaring failures.

The sale totalled £1,172,545 in the morning session, with over 21 per cent unsold. The top price was the £99,000 paid for a maiolica dish painted by Nicola da Urbino around 1530 and depicting the rape of Proserpine. The Fund paid £27,500 for it in 1976; yesterday it carried a top estimate of £80,000.

An exceptional Florentine drug jar of the late 15th century, purchased in 1976 for £13,750, also showed a good return, making £88,000, well above its £35,000 top estimate, while an armorial dish, painted by Francesco Xanto Avelli in 1532, has apparently risen in value since 1976 from £11,550 to £60,500. The same sum secured an unusual Gubbio lustred Urbino plaque of around the same date, which had cost £10,000 in 1975.

But against these successes in Renaissance Italian ceramics there were some embarrassing disappointments, especially among the French porcelain. A pair of Mennecy figures of a chinaman and his companion, acquired for £16,500 in 1976, were expected to make at least £40,000 yesterday. In the event they were unsold at £28,000, as was an important Augustus Rex vase and cover of around 1725 and a pair of Nymphenburg Italian comedy figures of Harlequin and Lalaga of around 1760. The rarest piece in the auction, a Vezzi teapot and cover made in the mid 1720s in an Italian factory from which only 200 pieces have survived, sold for £39,600.

The lesson to be drawn from the Pension Fund's investment in art is that while items of the finest quality will usually perform reasonably well – the situation with its silver purchases – other sectors of the art market will be out of favour for a long time. Porcelain is a small and difficult area and although the Fund bought good pieces there are not enough rich collectors to guarantee a worthwhile return on the speculation.

At Sotheby's in New York a diamond tiara, bought in the 1930s for the Duchess of Westminster, sold for £58,857: in 1959 in London it had made £110,000 but in the intervening years it has lost three of its best stones.

Antony Thorncroft

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The Mexican dilemma

DRAMATIC MEXICAN rescue operation. Imagine the shudder that such headlines send down the spines of financiers, politicians and central bankers, all of whom recall the consequences of Mexico's admission in August 1982 that it could no longer service its debts. Is Mexico again leading the pack, with the announcement of a $3.5bn "bridging loan" from the US Government? Is the bridge perhaps one between the old world of an increasingly discredited Baker plan to a new world of direct financial support for the indebted countries from the treasuries of the major developed countries?

At present, it is impossible to tell. Important elements in the story remain somewhat obscure, including the terms on which this finance is being offered, the expected involvement of the IMF and the World Bank, and the condition of the Mexican economy itself.

Washington claims that serious liquidity problems in the Mexican economy justify its direct involvement. There appears to be some truth in this, but the offer of $3.5bn may also be intended to ensure that nothing untoward disrupts the apotheosis of Mr Bush. From the Mexican perspective, three weeks before the US presidential election must have seemed a good time to hold out the begging bowl.

Risky affair

But is the US wise to support the Mexican economic programme so strongly? Since the exchange rate has been the central instrument of counter-inflationary policy, the current Mexican stabilisation programme is a risky affair. With monthly inflation down to 0.6 per cent in September, it would appear successful, but the price has been real appreciation of the currency of some 20 per cent this year. This appreciation is, in turn, associated with an import surge, a deteriorating trade balance and capital flight.

To make the programme work, Mexico needed good luck, but – with hurricane Gilbert and the oil price fall – it has had the reverse. The country has made substantial progress with economic adjustment since the onset of the debt crisis. Oil now accounts for only 45 per cent of export earnings, down from 80 per cent. The balance of payments position became very strong, too, with a current account surplus of $3.9bn in 1987 and reserves of over $12bn at the beginning of September. But all this has been insufficient to guard against liquidity problems in current adverse circumstances.

Difficult circumstances

So, Washington's involvement is perfectly understandable. What is less obvious is that it is wise. For a country experiencing a severe deterioration in the terms of trade, the attempt to hold up the exchange rate may well prove a serious waste of resources and credibility. Worse, by making an offer of funds, Washington could provide a signal that capital flight is justified. Meanwhile, for the incoming Mexican administration there is the danger that agreement to the package will be criticised as allowing the "gringos" to tie Mexico into a doomed stabilisation programme.

It is not a mistake for Washington to supply official funds. Nor is it wrong to supply funds to Mexico, which is not only of great importance to the US but has made exceptional efforts to adjust in difficult circumstances. What is worrying is that policy is responding, like a Pavlovian dog, to purely short term exigencies. It is still worse to engage the moral and financial capital of the US behind a programme which may eventually be seen as a political and an economic disaster in Mexico itself.

Senator Bill Bradley has charged that Mr Bush "will pretend there's no problem until the night before Mexico or Brazil is about to precipitate a world financial crisis". It has happened sooner than he thought. Far more serious thought is required about a long term programme for resolution (not management) of the debt problem. Only if such a plan is in place will the other side of the bridge rest on something more substantial than hot air.

The Crash one year on

THE CORRECTION of '87 scarcely has the ring of a classic newspaper headline. Yet with hindsight it looks a more accurate description of what happened in world stock markets a year ago today than the more catchy Crash of '87, which is now the accepted label. If the main market indices are to be believed, the average equity investor in New York, London and Tokyo is still much richer today than at the start of 1987 and the prompt decision of central banks to relax monetary conditions at the time gave additional impetus to an already robust world economy. As for the regulatory response to the market slide, it has been decidedly muted. Is this common sense, in view of the modest fall-out, or dangerous complacency?

The answer to that question hinges largely on whether the Crash is seen as the problem or the solution. On the face of it, the heady bull market in the first three quarters of 1987 was substantially fuelled by a boom in global liquidity arising from central bank support for the dollar. At one level the Crash reflected the market's fear that the support operation would fall victim to growing tension over trade imbalances; this carried the risk of a chain reaction involving a plunging dollar, renewed inflation, followed by tighter money and consequent recession. At another, the market was acknowledging that equity prices had risen far out of line with historic valuation yardsticks.

Lack of confidence

On this reading the market was too high in the first place and the correction of this overshoot in October aptly signalled a lack of confidence in US economic management. Few analysts detected in the Crash a case of overshoot downwards. The official response should thus have been weighted more towards economic policy than market regulation. That said, the sheer speed of the market adjustment brought the US financial structure close to collapse. The outpourings of various bodies in the US such as the Brady Commission, the SEC and the General Accounting Office on market mechanisms have therefore been welcome.

Many technical weaknesses exposed by the Crash have admittedly been self-correcting: the practise of portfolio insurance, which contributed substantially to the instability on Wall Street, has waned. Others, such as shortcomings in systems and information, have been sensibly addressed by market authorities around the world. But the main response to the speed of the collapse has been the attempt in the US and on some continental European bourses to introduce circuit-breakers, whereby trading is temporarily halted to give investors time to stop panicking.

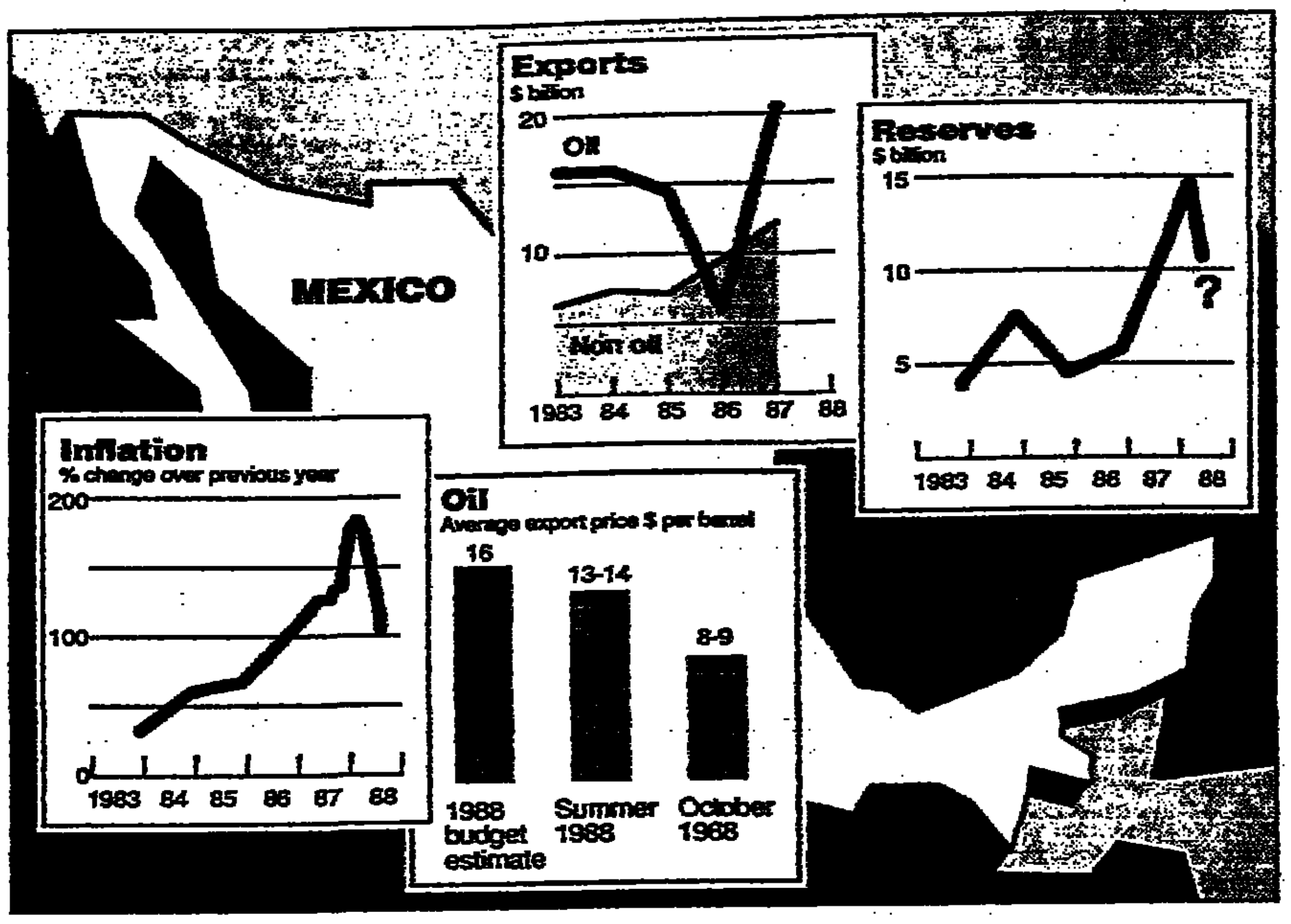
Unmanaged markets

This works in Tokyo, where limits are placed on daily price movements in individual shares – but partly because market confidence is very successfully managed by the Ministry of Finance and trading is dominated by four leading brokerage firms. Circuit breaking in unmanaged markets may simply speed downward adjustments by broadcasting the floor to prices. And to introduce them on a purely domestic basis, as the New York Stock Exchange is doing, is to encourage a diversion of trading to other financial centres such as London. Any regulatory response to the Crash that fails to recognise the existence of a global equity market is putting a leaky bucket under the potential deluge.

There is, in fact, a better solution to these problems – to wit, more capital for the market making function to provide a bigger cushion against volatility. So far the post-Crash capital increase in New York has been inadequate; and in Europe it is crucially important that the European Commission's forthcoming capital adequacy proposals for securities firms do not undermine those financial centres with more stringent rules.

Finally, there is something odd about a system in which central bankers are once again acting as lenders of last resort to the securities markets as they did in the 19th century, without monitoring directly what happens there. One year on, this issue looks quite as relevant as it did at the time.

Stewart Fleming, Richard Johns and Stephen Fidler report on the US loan to Mexico



A favour to a neighbour

There is a rule of thumb that the best time to extract concessions from the US Government comes once every four years. During the presidential election campaign, domestic politics traditionally exercises a paralysing impact on US foreign policy. The value of that tradition has not been lost on Latin America's debtor nations.

In August, Argentina secured the promise of a $500m bridging loan from Washington. Over the weekend, it was the turn of Mexico, the country which triggered the third world debt crisis in 1982.

On Friday, Mexico's debt negotiators, Gustavo Petricioli and Angel Gurria, flew into Washington. By Monday, they had secured the promise of $3.5 billion from the Federal Reserve and the US Treasury. This is a bilateral bridging loan of unprecedented proportions – and one agreed without either party knowing precisely what is going to prop the bridge up.

From the perspective of the Reagan Administration – and that of Vice President George Bush who may be only three weeks away from the succession to the White House – both the Argentinian and Mexican deals can be welcomed with a sigh of relief.

The last thing Mr Bush (and his campaign manager the former US Treasury Secretary James Baker) needed before November 8 was a new Third World debt crisis.

The Mexican government was also playing for time. It badly needs a breathing space during which the incoming Government of the newly elected President, Mr Carlos Salinas de Gortari, who takes office on December 1, can formulate its economic policies.

In the last few weeks, Mexico has been haemorrhaging foreign reserves at an alarming rate. Reserves reached a high point of $16.2bn at the end of May. On September 1, President Miguel de Madrid put them at $12bn, a figure inflated by the inclusion of several contingency lines of credit including one swap facility with the US Treasury. Subsequently, another line of credit made available by Washington for $940m for financing the purchase of agricultural products went largely unnoticed.

When Mr De la Madrid spoke foreign exchange reserves had almost certainly dropped below $11bn and now are reckoned to be $10bn or less.

One factor in this fall had been a surge in capital flight. Mexico's domestic political situation has rarely looked more uncertain than since the election in July. It signalled the weakening of the grasp of the ruling PRI party and the opening of a new and unpredictable era in Mexican politics.

In the wake of the general election, capital flight reached about $400m a week. One reputable independent economist estimates that the outflow could have amounted to about $5bn from April to September. That outflow has slowed, but recently, company treasurers are said to be eyeing the dollar again.

Politics was not the only factor contributing to an erosion of confidence in Mexico's economic management. Another was the plunge in world oil prices. By early October, Mexico's average export oil prices were down to $8-9 a barrel, raising the prospect of huge losses of export earnings.

The trade deterioration implicit in the trend in oil prices came on top of a severe loss of export competitiveness. On some calculations the Mexican Government's decision to hold its exchange rate stable this year as part of its anti-inflation policy has resulted in a real appreciation of the peso by around 20 per cent.

And the anti-inflation policy led to shortages of consumer goods which were met by a flood of products from abroad. Imports rose by more than 50 per cent in the first half of 1988, compared with the same period of 1987; exports were only up 5 per cent. Mexico's current account began to show a deficit in June.

It did not take the financial markets long, once the oil price decline set in, to come to the conclusion that a major devaluation of the Mexican currency was beginning to look inevitable. Taken together, all these factors raised the possibility of a repeat of the crisis of 1982. Rather than risk waiting, as in 1982, until its foreign exchange reserves and its bargaining power were exhausted, Mexico turned, apperently within the last two weeks, to the US for financial support to try and shore up confidence.

This was a second-best choice, given Mexico's traditional resentment of any dependene on the US. The government's preferred solution would, it appears, have been a broad based facility provided half by international commercial banks and half by multinational institutions on the other.

It is widely believed in financial circles in Mexico City that Dr José Cordoba, President-elect Salinas's special adviser, floated the idea of such a loan, for $6bn, when he was in New York towards the end of September.

That got nowhere; with the threat of further capital the government turned to the US – and there is now unabashed relief in government circles in Mexico City over Washington's quick response.

The US had every incentive to help its southern neighbour. The incoming Salinas administration is working out its policy toward the debt issue. Recent statements seem to indicate that the Mexicans are leaning towards cooperation, rather than confrontation, and the US was keen to encourage this.

It was also keen to encourage the progress made since 1982 in diversifying the Mexican economy. Non-oil exports have risen by 45 per cent since 1986, according to one US official, so that today they comprise 75 per cent of total exports compared with 35 per cent in 1985.

Inflation has been reduced dramatically, rising by only 0.6 per cent in September. And the Solidarity Pact, between government, employers and unions, to hold down wages and prices, has been renewed till the end of the year.

The most remarkable aspects of the agreement are its size and the uncertainty about how it will be repaid.

After the bridging loan was announced, US officials stressed the importance of Mexico's economic policy reforms. "This is a vote of confidence in the outgoing Government and the incoming Government," said one official.

If the two sides are lucky, the bridging loan itself should help to discourage capital flight; in an ideal world, indeed, Mexico might never actually need to draw on the US financing. In contrast with 1982, the Mexicans and Americans have acted before the problem has got desperate, the move is a pre-emptive one.

The two most remarkable aspects of the Mexican agreement are its size, many times larger than any previous bridging loan for a debt-burdened developing country, and the uncertainty about how it will be repaid.

A large chunk of the loan is coming from the US Treasury's exchange stabilisation fund. Private experts are speculating that a significant proportion will be made available from the Federal Reserve, perhaps through the swap agreements Washington has had with its southern neighbour since 1967, the only such agreement the Fed has with a developing country. Neither source of funding requires Congressional approval before being disbursed.

As for the repayment of the loan, the expectation is that the World Bank may provide between $1.5bn and $2bn of funds and the IMF perhaps up to $600m under the new Compensatory and Contingent Financing Facility, awarded to countries which suffer from a sharp price drop in a key export commodity. Because it is a new type of facility, it may take some months to work out, which suggests that the World Bank financings will be in place before any IMF loan, as appears to be happening in the case of Argentina. The World Bank is already engaged in negotiating a series of major new project loans for Mexico, and it is expected that the Bank will make new structural adjustment loans to Mexico too. No conventional standby IMF programme appears to be envisaged at this stage.

The precedents that are being established by Mexico and Argentina are not being lost on observers of world financial markets.

Those precedents now include decisions by the US to mount major bilateral rescue agreements in a way which, some bankers fear, is weakening the traditional discipline which the International Monetary Fund and to a lesser extent the World Bank has exerted over its customers.

This type of procedure differs from the new money packages which were put together at earlier stages in the debt crisis because it does not directly exert pressure on the commercial banks to make large new commitments to third world debtors as part of the lending consortium.

This leaves doubt over what role the commercial banks will play. There was a lot of bad feeling among the banks over the previous loan package to Mexico signed last year, which took around nine months to arrange. (It was originally for $7.7bn; in the event banks lent less than $6bn because part of the money was linked to the behaviour of oil prices, which performed better than expected.)

Resistance from banks arose for two reasons. Many non-US banks objected to the way US Federal Reserve Board chairman Paul Volcker was railroading them into the financing, while the package itself was simply unattractive to banks, in contrast with that worked out this year for Brazil.

While many bankers praise Mexico for sticking to its economic policies in the face of strong political pressure to abandon them, they nevertheless will not be eager to lend it still more new money. Some will almost certainly want the protection of an IMF standby programme which does not currently seem to be under consideration. Others will ask whether with reserves of $10bn, Mexico needs the funds from the banks anyway.

In fact, resistance to lending new funds will partly arise from the fear that new bank lending to countries with relatively strong reserves will only be used to buy the debt back from the banks at a discount in the secondary market. Indeed, before the recent deterioration of reserves, Mexico had been actively considering a second issue of so-called Aztec bonds which would be used to buy back debt.

The argument that the old rescue procedures have been overtaken by events is widely accepted. Austerity policies in Latin America have already squeezed domestic economies to such an extent that, as in Mexico, political stability is being brought into question.

But what is missing from the kind of ad hoc approach to the debt problem which has been evolving this year is any clear sense of a long term strategy, and the financial commitments to back it up by the lenders.

The sudden eruption of the Mexican debt problem again is a reminder of just how fragile the Third World debt situation remains. It also highlights the fact that although the so called Baker Plan for tackling the continuing debt crisis has been overtaken by events an alternative has not yet emerged to replace it.

The issue of a new approach to the debt problem will come back again next year – posed once again by Mexico. For Mr Salinas, the major issue in the longer term is to obtain a reduction in debt service payments so that after six years of stagnation Mexico can enjoy renewed growth. The indications are that he is seeking a reduction of 30 per cent in the $8bn (7 per cent of GDP) paid out annually to service Mexico's debts. This week's bridging loan, by making the US administration the central player in resolving Mexico's short term problems, may reduce Washington's ability to escape such a role in the search for a longer term solution.

High cost of defence

■ The Military Balance, the handbook of defence specialists the world over, gets fatter and fatter – almost in inverse proportion to the threat of war. The first issue, published in 1959, had 11 pages and cost one shilling. It was called NATO and the Soviet Union, and did not even discuss the Warsaw Pact, either because there was not sufficient data available or because the authors thought that the rest of the Pact not worth mentioning alongside the Soviet forces. There was no hint either that The Military Balance was to become an annual publication.

The 30th issue, published today, has 260 pages and costs £18.95. The Warsaw Pact is in, as it has been for some time. So is the third world, and there is additional information on naval developments.

François Heisbourg, the director of the International Institute for Strategic Studies, from whose stable it comes, estimates that the price per page of producing the document has multiplied by 15 since it was started; and by 14, allowing for inflation.

Heisbourg is an unusual phenomenon in many ways. He is a Frenchman heading a predominantly Anglo-Saxon institute. He has already had a successful career in business, having been a vice-president of Thomson-CSF. He may well have a career ahead in politics. He is a socialist and only 39.

"My future lies in France," he says. The only exception would be if he were formally to join the international academic community to which he considers he already belongs. France would not be the place for that. Otherwise the future lies between business and politics.

"It is better to be elected," he admits, but French politics does not always work like that. It is possible to enter as a super-élite technocrat: for instance, as Minister of Defence or Industry. Some say that that even applies to the Premiership. Besides, there is a broad consensus in France on defence policy, so Heisbourg could fit quite naturally even in a centrist administration, though he does not conceal his socialism.

All that is probably some way ahead. Heisbourg has been director at the IISS for just under a year. He has put the finances in some order: not that they were too bad in the first place, for the honorary treasurer is Sir David Scholey of Warburg and the Institute is advised by Robert Fleming. Its chairman is Sir Michael Palliser, a former head of the British Foreign Office and now deputy chairman of the Midland Bank. Thus the IISS reacted swiftly to last year's stock market crash. It now has a capital base of £5m, which Heisbourg hopes to double. Annual running costs are £1.4m.

The Institute is currently advertising for a Director of Development who would be responsible for long term fund-raising. Heisbourg wants to reduce the dependence on money from foundations and is aware that one of the reasons why the neighbouring Trade Policy Research Centre nearly went under is that it neglected to look after its financing.

The next step will be to develop a programme of research for what may be a more peaceful world. What are the strategic implications of economic and trade issues? Heisbourg is wondering how – or even whether – that question should be addressed by the IISS.

Meanwhile, this year's Military Balance, required reading in east and west, is a reminder that, whatever the talk of peace, military deployments are still very large.

OBSERVER

"Let's hope it's a happy birthday."

Thatcher's man

■ Competition has broken out in Western Europe about which country should be the first to receive Mikhail Gorbachev in his new capacity as President of the Soviet Union. The visit was tentatively promised to Britain, but that was on the assumption that Gorbachev would not become President until next year. In the event, he took over last month and has other dates in his diary.

Ciriaco De Mita, the Italian Prime Minister, paid a successful visit to Moscow last week. Chancellor Kohl of West Germany is going this weekend and President Mitterrand of France next month. All are promised a return visit and Gorbachev is going to India in November.

Margaret Thatcher, however, is still pitching. She can claim to have discovered Gorbachev for the west, and it is possible that he will be in London before the end of the year. Perhaps it is only Soviet gossip that has it that his wife, Raisa, would prefer France or Italy first.

Whitelaw next

■ Lord Whitelaw was in complimentary mood at the expense of himself at the Dorchester yesterday for a Foyles literary luncheon in honour of Norman Tebbit who could, and did, boast that his autobiography, Upwardly Mobile, was published only a week ago and is already in its second edition.

Comparing their success in two previous posts they had in common during their careers – Employment Secretary and Chairman of the Conservative Party – Whitelaw deprecated his own performance in both. As Employment Secretary, Tebbit had been an outstanding success, while in his own short occupation of the post: "I certainly achieved absolutely precisely nothing. Most of it was a minus." Chairman Tebbit led the Party to electoral success last year; Chairman Whitelaw presided over its defeat in the second election of 1974. Whitelaw's own memoirs are coming along.

Soviet chic

■ A new Russian shop is due to open in London today. It is very small, rather chic and very expensive. The reason given is that the lease ran out on the old shop in Holborn. The new one has a much smarter address. It is 99 The Strand, just next to Simpson's and just right for Christmas.

Definition

■ The Iron Age: before drip-dry.

Raymond Snoddy talks to the IBA's chairman about commercial TV's future

Public duty, private worry

The long-running *debate over the* future of UK broadcasting reaches a final stage with the publication next month of a White Paper describing the Government's plans for a free market future. Lord Thomson of Monifieth, chairman of the Independent Broadcasting Authority and by nature an incurable optimist, is deeply worried about what this will mean for the future of British commercially-funded broadcasting.

"The heart of my worry is that the Government may abandon the concept of public service obligations for commercial television," says Lord Thomson. He leaves the IBA at the end of December after nine years, first as deputy chairman and then chairman.

"I wish I could find a better phrase for public service obligations – it sounds such a dull, drab, bureaucratic phrase but underneath it lies something of rich value to the ordinary viewer and I think that some people in government are very tempted to let that go, to think that the way the world is developing it is no longer desirable or possible to sustain it. I think that is a mistaken view," he says.

There are firm grounds for his fears. The White Paper will advocate the de-regulation of *ITV* with a ritual nod or two in the direction of quality and variety, and the IBA will be replaced by a new commercial television authority which will regulate all commercial output including cable and satellite, but do so with a much lighter touch.

Lord Thomson, former political journalist, Labour Cabinet minister and editor of The Dandy comic is retiring partly to spend more time with his wife but also to be free to return to Parliament.

"We are the only country in the world which has created a public service broadcasting system of high quality that is entirely commercially funded out of advertising," he says. He believes it would be a tragedy if this tradition were to be discarded.

Lord Thomson is speaking in his IBA office in London's Brompton Road in what increasingly must feel like a bunker. Not only is the IBA's future being called into question, but some of its decisions, such as allowing Thames Television to go ahead with the transmission of its documentary on the SAS shootings in Gibraltar, are attracting criticism and bitterness.

On his office wall is a montage given to him on his 60th birthday by the staff of World in Action, the Granada investigative programme that has given the IBA cause for thought over the years. It *is a picture of the statue of justice with* a superimposed picture of Lord Thomson balancing the scales and underneath a caption reading "Due Impartiality".

Such a tradition of impartiality in television news and current affairs, he believes, is just another of the assets of British broadcasting now coming under threat from some sections of the press and politicians.

Lord Thomson is appalled by the kind of attacks being made on broadcasters by politicians and others and the fact that television is put on trial for things accepted as normal in the popular press.

"I do think it's whipped up by politicians and what they are doing is taking such a risk with one of our most precious assets," he says. He is unrepentant about the IBA's decision to televise "Death on the Rock" despite government hostility, although he believes the nature of the decision taken has been greatly misunderstood.

"We simply had to decide whether there were any reasonable grounds on which we could refuse the right of Thames to put out a programme about the events when the rest of the world's media had already been interviewing witnesses," he says.

There was no question of a seal of approval – beyond making sure that the programme was not soft on the IRA and that full weight was given to the enormity of the crimes being planned by the terrorists.

"I think people felt we were on the IRA side by allowing it to go out. We had a much simpler decision to make as to whether it a legitimate journalistic operation, a matter of public interest," he says.

Battles over individual programmes, and where the limits of freedom should be drawn in a democratic society, will continue as long as there is a body such as the IBA.

Lord Thomson is, however, struck by a much larger irony. It was the Churchill Government which created ITV – the Bill received Royal Assent in July 1954 – despite opposition from those such as Lord Reith, the first managing director of the BBC, who likened its coming to the Black Death. It was Mrs Thatcher's first government, and in particular Lord Whitelaw who was then Home Secretary, which was responsible for Channel 4.

Lord Thomson finds it odd that Mrs Thatcher should be prepared to put these Conservative creations at risk and he fears there is a danger that the Government is getting over-excited about the pace of technological change and how rapid the impact of cable and satellite channels will be.

"I was a member of a Government that believed in the white hot technological revolution and really a lot of good it did us," he says.

Lord Thomson believes change will be gradual enough to "make it reasonably certain that by the end of the century the four familiar public service channels will still be the heartland of most people's viewing provided they are not destroyed for ideological or doctrinaire grounds."

Such an optimistic picture would depend on the ITV companies putting their own house in order in terms of getting rid of over-manning and restrictive practices.

That, Lord Thomson believes, is already happening, partly as a result of Government pressure and partly because of the imminent competition from the new satellite channels such as the four being launched by Mr Rupert Murdoch in February.

Critics would say that the IBA has not exactly been in the vanguard of encouraging such change and that the quality of the ITV sector has been only matched by its cost.

Lord Thomson, however, is determined to make sure the ITV companies will not be allowed to anticipate Government legislation which will probably not take effect until the beginning of 1993 by quietly trying to drop some of their obligations now.

The IBA recently refused permission for London Weekend Television to move its traditional religious programme out of its Sunday evening slot to make way for a popular current affairs programme.

"We thought this is a rather critical time to put down a marker about maintaining the significance of that kind of obligation. Some people in ITV are behaving as if the great revolution and the abandonment of public service was imminent. They are in the sixth year of eight-year contracts with a three-year extension to go," said Lord Thomson.

"The ITV companies, which I have come to have a great affection for over the years, remind me a bit of farmers. The bad harvest of last year always blots out all the good harvests of the past and the bad harvest anticipated for next year always blots out the future," he added.

The reality, he believes, is that the ITV companies are making an embarrassing amount of money out of the increasing demand for a rather limited amount of airtime.

The challenge facing policy makers both in government and the broadcasting industry is to make sure that more channels actually mean more choice. The planned fifth terrestrial channel, Lord Thomson argues, should be used to provide more local television.

"You can have more channels and more choice but you need to do it rather consciously and you need a positive form of regulation," he says. So from New Year's day Lord Thomson will continue his battle for the survival of quality commercial television by other means.

Lord Thomson: "Need a positive form of regulation"

Privatisation

Split British Coal into competing companies

By Richard Pryke

The privatisation of the coal industry, to which the Conservatives are now firmly pledged, could be viewed as a piece of symbolism. What really matters is the reduced power of the National Union of Mineworkers, and the coming of competition due to the denationalisation of electricity and the generating authorities' new freedom to buy coal abroad. Indeed it may be thought that because imports are now so cheap there will, by the time that British Coal comes to be privatised, be little of the industry left to sell and even less which investors are prepared to purchase. According to Bill Robinson of the Institute for Fiscal Studies, when the generating authorities are able to buy coal from the cheapest source, deep mined output could fall to only 25m tonnes.

This argument is, I believe, largely false: the coal industry should be able to retain the great bulk of the power station market and privatisation is important, if only because it can help the industry to maximise its market share. Robinson ignores the scope for increasing output at the better pits and reducing their costs. British Coal is planning to raise labour productivity by about 50 per cent over the next five years by introducing heavy duty equipment and tightening up efficiency. Furthermore, six-day coaling and flexible working could raise pit output by around 50 per cent and thereby reduce fixed costs per unit of production. The general rise in productivity and flexible working should, together, reduce unit costs by a quarter. This allows for a growth in miners' real earnings of 3 per cent per annum, and an examination of shaft capacity shows this is unlikely to be a serious constraint.

Given the reduction in unit costs and the boost in output, British Coal will be able to provide some 60m tonnes of deep mined coal at an operating cost of no more than £1.07/gigajoules in 1992-93, which is probably the year which has been pencilled in for privatisation. (British Coal has decreed that collieries need only reduce their costs to £1.50-1.65/GJ in order to be safe from closure.) This coal would be produced at 28 collieries in England and Wales employing 30,000 miners, (although this ignores a few pits producing anthracite and coking coal).

Sixty million tonnes is the relevant figure for production because this is the potential demand for deep mined coal after netting out open cast production and those imports that are inevitable. These include 10m tonnes of coal which the power stations on the Thames Estuary will almost certainly buy abroad. The pits on the north east coast, which at present supply them, cannot reduce their costs sufficiently to absorb the heavy cost of shipping the coal.

Imported coal ought not to be attractive elsewhere. According to a study by Mike Prior and Gerard McCloskey, the stations on the central coalfields that are most exposed to import competition are Cottam and West Burton. However, those low-cost pits that are best placed to supply them will be able to do so if costs are cut by 25 per cent and the price of imports does not fall below £0.82/GJ at Rotterdam. Prior and McCloskey say this price, which is slightly below the current one, is sufficient to justify the investment in new foreign mines that is becoming necessary.

British Coal is pursuing the old NCB policy of trying to preserve as many pits as possible.

Although it should, in theory, be possible to cut costs by 25 per cent and raise output by 50 per cent, this may not happen in practice. Very little progress has yet been made to introduce flexible working at existing mines. This is partly because of opposition by the NUM, but the Union of Democratic Mineworkers is more sympathetic and British Coal has, on its own admission, not been trying very hard. No doubt the corporation will make more serious efforts and the NUM's resistance will weaken, when the generating authorities become free to import. However, there is a serious danger of British Coal procrastinating so long that foreign suppliers will be able to capture a substantial part of the power station market.

The corporation is dragging its feet because it does not want to create more capacity, through six-day production, at a time when it is difficult to make room for Selby's rising output. British Coal is once again pursuing the old National Coal Board policy of trying to preserve as many pits as possible. This explains the paradox, which so puzzled Prior and McCloskey, of why the corporation is trying so hard to improve profitability through heavy duty faces but doing so little to raise it by flexible working.

Privatisation by making profitability of paramount importance will ensure that no way of cutting costs is neglected. The industry cannot be denationalised until after the next election but the impending transfer to the private sector should have an impact, just as it did at British Airways. The drive to cut costs will be intensified to make the industry more saleable. This drive can be further strengthened by giving pits, or groups of pits, greater financial autonomy: a step which would have the advantage of promoting local bargaining and flexible working.

It is essential, when the industry is privatised, that *British Coal should be split* into competing companies. When electricity is denationalised the generating authorities may decide to diversify the sources from which they obtain coal. If the pits are owned by a single corporation, the only way in which they can do this is by importing. It is, therefore, unlikely that deep-mined sales will be maintained at 60m tonnes, as previously envisaged, unless British Coal is split up. In anticipation of privatisation the industry should be divided into units that are able to enter into contracts for the supply of coal.

The author is senior lecturer in economics, University of Liverpool.

LETTERS

Determining the EC origin of UK-built Nissans

From Mr N.M.G. Bromfield.

Sir, Mr Gurney (Letters, October 17) raises a number of difficult questions. As he says, France's unilateral 3 per cent quota for Japanese car imports is out of step with the General Agreement on Tariffs and Trade (Gatt), but equally the "gentlemen's agreement" limiting Japanese market share in the UK to 11 per cent is of dubious validity. If the roles had been reversed and the Nissan investment enticed to France (or any other EC country) rather than the UK, one wonders what would have been the UK Government's position.

The legal basis for the French Government's objection to UK-built Nissans is that the UK Nissans have insufficient EC content to be treated as EC goods – to be entitled to move freely in other EC countries. France cannot restrict imports from the UK of goods of EC origin, any more than the UK could restrict imports from France. To suggest that French Renaults be kept out of the UK market on the basis that they contain a low level of British content is to confuse the issue. No one is suggesting that Renaults do not have EC origin, and to restrict them in the UK would be the clearest violation of fundamental EC principles.

According to EC rules, a product enjoys the origin of the country "in which the last substantial process or operation that is economically justified was performed, having been carried out in an undertaking equipped for the purpose, and . . . representing an important stage of manufacture." That is the test to be applied in determining whether the UK-built Nissans have EC origin and are accordingly entitled to unimpeded access to the French market.

As Mr Gurney points out, local content figures such as the 80 per cent relied upon by the French Government, or the 60 per cent relied upon by the UK government, are largely plucked from thin air. What is more, levels of local content vary accordingly to which calculation basis is used and are notoriously subject to differing interpretations. To resolve the dispute, the Commission should limit itself to asking the question whether UK assembly of Nissans is "the last substantial process or operation . . ."

N.M.G. Bromfield,
Avenue Louise 489, BTE 24, 1050 Bruxelles

European Court ruling gives little comfort to motor manufacturers

From Mr Rupert L. Hughes.

Sir, As legal advisor to the Motor Panel Manufacturers Distributors Association, I would like to point out that William Dawkins's article on the Renault and Volvo cases ("European Court backs car makers," October 6) was misleading in two important respects.

The High Court case of BL v Armstrong was not concerned with refusal to grant licences. In any event, the High Court's decision was overturned by the House of Lords which ruled that it was unlawful for car manufacturers to use design copyright to prevent independent component companies from manufacturing spare parts. This ruling was based *upon the Common Law principle* of non-derogation from grant: it held that a car manufacturer which sells a new car cannot prevent the car's owner from repairing it in the most economical way possible by obtaining spare parts in a free market.

This ruling will not be affected by the European Court of Justice's (ECJ) decision. The ECJ decision in the Volvo case concerned Volvo's refusal to grant licences to independent panel companies which were *prepared to pay reasonable* royalties for the licences. The ECJ ruled that the mere refusal to grant licences in these circumstances does not amount to an abuse of a dominant position. Something more is needed, such as excessive pricing.

The European Commission's case in support of the independent panel industry against Ford is based upon the unreasonable refusal to grant licences in circumstances of alleged excessive pricing and other abuses.

The ECJ ruling confirms this approach and motor manufacturers are therefore unlikely to draw much comfort from it.

Rupert L. Hughes,
Wragge & Co., 3 Cherry Street, Birmingham

The City should make sure British Steel's strengths are built on

From Dr Jeremy Bray.

Sir, When Samuel Montagu publish the prospectus for British Steel on October 28, they will be publishing a profit forecast. Prospective shareholders will expect that prospectus to be more informative about the British Steel strategy, on which that profit forecast will be based, than ministers, British Steel, the broker advising the Government (Warburg Securities), or the broker for British Steel (Phillips & Drew) have been so far.

The principal characteristic of British Steel's plant configuration is the bottle-neck in continuous casting, with unused iron and liquid steel capacity upstream and unused hot strip capacity downstream. Phillips & Drew, in their September document, mentioned the surplus hot strip mill capacity, but not the much larger surplus blast furnace and liquid steel capacity at Port Talbot and Llanwern.

The strategic choice facing British Steel is whether to remove the bottle-neck and go for a larger share of the home and European market with fully competitive plant, or to cut down capacity to the present market share.

The latter choice is unsustainable, since balance of payments considerations will create the competitive opportunity for higher steel production in the UK by the 1990s. If British Steel does not meet it, it will be met by overseas companies setting up lower-cost, more energy-efficient mini-mills with continuous thin slab casting and simpler strip mills. That will undermine British Steel's competitive position in the UK. The Financial Times (March 30 1988) gave a good account of the technology in the US. The decision will depend on market prospects, but decisions have a long lead time in steel.

The alternative is for British Steel to go for the larger market share consistent with a sustainable balance of payments. That would mean making good the deficiencies in continuous casting at Llanwern and Port Talbot, and instead of scrapping the hot mill at Ravenscraig, using it as a development route into the new thin slab technology. Ravenscraig led the way into continuous casting. Port Talbot and Llanwern may well be the last of the old-style hot mills in Europe to be modernised. It would not be the first time that British Steel has been the last to invest in an obsolescent technology.

Very much the frankest and best-informed report on British Steel strategy is that by Arthur Young, commissioned by the Motherwell District Council, who are concerned about the future of Ravenscraig. The Government have been frightened of the issue, because they see privatisation as a means of getting rid of the political hot potato of Ravenscraig. The brokers have been so frightened of the issue that they have said as little as possible about Ravenscraig. Although Ravenscraig is the principal supplier of the highly profitable coated sheet mill at Shotton, Warburg managed to say the sources of Shotton steel were just Llanwern and Port Talbot.

But the issue will not go away. Nor is it in the interest of shareholders that it should. If British Steel behaves in a restrictive, monopolistic way, it will be the shareholders who will suffer. Instead, British Steel needs to make good the 40 per cent cut in its research and development since 1979. It needs to rejoin the research community in Britain and the world. It needs to attract capable managers instead of repelling the competent by the absurd displays of macho management.

If the City has half the wit of my steelworker constituents at Ravenscraig they will make sure British Steel's strengths are built on, and its weakness remedied.

Jeremy Bray,
House of Commons, Westminster, SW1

FINANCIAL TIMES
Wednesday October 19 1988

Court backs UK insider deals law

By Raymond Hughes, Law Courts Correspondent, in London

BRITAIN'S Court of Appeal yesterday overturned a legal ruling which posed a major threat to the Government's attempts to curb insider dealing.

The court ruled that people who deal in shares on the basis of what they know is unpublished, price-sensitive information are guilty of insider dealing, no matter how the information came into their possession.

The decision will have been greeted with relief at the Department of Trade and Industry, which is spearheading the drive against insider dealing.

Had the three appeal judges decided differently, the DTI would probably have had to drop at least some of the 31 cases already before the courts or under investigation.

The appeal court had been asked by Sir Patrick Mayhew, QC, the Attorney-General, to rule on the meaning of the word "obtained" in the 1985 Company Securities (Insider Dealing) Act.

Section 1(3) of the Act makes it an offence for someone to deal in shares on the basis of unpublished price-sensitive information "which he knowingly obtained (directly or indirectly) from another individual..."

Sir Patrick referred the issue to the appeal court after a judge at a Crown Court, in Southwark, south London, in April directed a jury to acquit Mr Brian Fisher, a London businessman charged with insider dealing.

Judge Gerald Butler decided that Mr Fisher had not "obtained" the price-sensitive information on which he was alleged to have dealt in shares but been given it "without any opportunity for him to prevent that information being passed on."

But yesterday Lord Lane, the Lord Chief Justice, said Parliament had intended to penalise the recipient of inside information who dealt in the relevant securities, whether he procured the information "by purpose and effort" or came by it "without any positive action on his part."

The issue will now go to the Lords, the UK's final court of appeal, for a definitive ruling. Mr Fisher's acquittal is not affected by yesterday's findings.

Lord Lane and his fellow appeal judges, Mr Justice Hutchinson and Mr Justice Tucker, held that if "obtained" were construed in the light of the purpose behind the Act, "the conclusion must be that it means no more than received."

The Act, Lord Lane said, was aimed at two classes of potential offenders dealing in securities: the primary insider connected with a particular company and the secondary insider who obtained information from another individual connected with a particular company.

In each case the offence was not using information but dealing in the securities while being in possession of the relevant information.

Lord Lane said that a 1977 government consultative document on the conduct of company directors showed obvious and understandable concern about the damage to public confidence insider dealing was likely to cause.

It also showed a clear intention to prevent, so far as possible, what amounted to cheating when those with inside knowledge used it to make a profit in dealing with others.

The appeal court's conclusion, Lord Lane said, would have the advantage of avoiding fine distinctions which would otherwise have to be drawn between what was and was not a sufficient purpose or effort to satisfy the narrow meaning of "obtain."

"These would have been distinctions so fine as to be almost imperceptible, and would have done nothing to enhance the reputation of the business world for honesty or of the criminal law for clarity," Lord Lane said.

Brussels set to outline rules for reciprocity after 1992

By David Buchan in Brussels

THE European Commission is today expected to send a signal to the outside world that it will not let third countries reap "automatic and unilateral benefit" from liberalisation of the European market, without demanding some reciprocal access for European companies.

The 17-man Commission will today be formally discussing for the first time a long-awaited paper on the external trade aspects of the Community's programme to forge a single market by 1992.

The key trade policy paper – four months in the drafting – has been the object of strong and conflicting pressures from European governments, and of keen interest from third countries anxious for signs of whether their fears of a protectionist Europe are justified.

The Commission debate will focus on what sort of bilateral reciprocity the Community should demand from third countries in those sectors, such as services and certain areas of public procurement, which are not covered by international trading rules agreed in the General Agreement on Tariffs and Trade. For most sectors, the Commission will simply demand matching liberalisation from Europe's partners in the current Uruguay Round of the Gatt negotiations.

Most contentious of all is the possibility that the Commission might seek foreign country reciprocity not simply on the arrival of new non-EC entreprises in the Community, but on the 1992-style extension of European market access for non-EC owned entreprises already long established in Europe.

The 17 Commissioners will have before them a report, drawn up by their legal service, arguing that the 1992 programme extends up new market rights to foreign-owned businesses already established in the EC, and thus it would be legally possible for the Community to pose new reciprocal demands in return for granting these new rights.

This would be a drastic re-interpretation of the Treaty of Rome assurance (under Article 58) to foreign companies incorporated inside the Community that they will be treated on a par with their purely European counterparts. It is also strongly opposed by the UK Government, which sees such reciprocity demands as unnecessary, indeed counterproductive, to maintaining the City of London's position in world financial services.

However, a week-old draft of the general paper which Commissioners will discuss today warns of "the political sensitivity of such a move and the fears of partners like Japan and the US." Many Commission officials privately feel Brussels would be on weak legal, let alone political, ground if it went beyond just tabling reciprocity demands on the occasion of the first establishment of new foreign entreprises in the EC.

The same draft of the Commission paper stresses that the EC's "incontestable interest lies in the development of the most open possible economic system, which will allow (the Community) to draw maximum advantage from the increase in European company competitiveness that should flow from the single market."

But the draft paper warns that "it would be premature, in the areas not yet covered by international (Gatt) rules, to extend in an automatic and unilateral manner to third countries the benefit of (the EC's) internal liberalisation."

The belated trade policy paper is supposed to be a clarification to the outside world of the Commission's future intentions and an internal guideline to Commission officials as they draw up future internal market draft directives. It will not be sent for formal debate to EC governments.

THE LEX COLUMN

Philip Morris says cheese

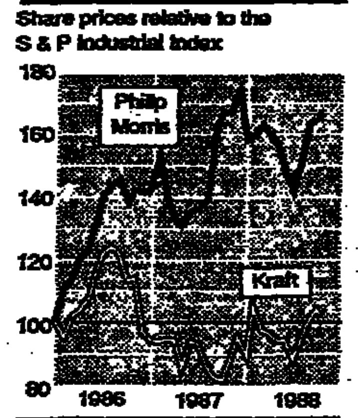
Not the least astonishing aspect of Philip Morris's $11bn bid for Kraft is the way the market is taking it in its stride. At $88.50 or so, the Kraft share price seems instantly to assume that the deal will go through at little more than the $90 opening offer. To be sure, there seems little risk of anti-trust problems, unless the FTC baulks at the sheer concentration of power within US borders; with combined food sales of almost $20bn, the new group would come a close second to Nestle in the world league, with a commanding grip on the luckless US food retailing industry.

Nor is there much prospect of a counterbid. Kraft plus Unilever would have over half the US margarine market, and the goodwill would erase Unilever's shareholders' funds. Nestle, with $5bn of acquisitions under its belt this year already, is surely too busy. Though Philip Morris's balance sheet will creak under the strain at first, it is still primarily a tobacco company; and that, above all, means cash flow.

The bid is also highly opportune. With the sale of Duracell out of the way this summer, Kraft has finally stripped itself back to a pure food company, with a dominant position in US cheese and strong brands in Europe. How much Philip Morris can broaden its base is another question; despite General Foods and Miller beer, tobacco still provides 80 per cent of profits on just over half of sales. Like BAT, the company finds it hard to escape from what it does best.

The bid illustrates the longevity of two industrial themes: the marriage of tobacco with food – as with RJR Nabisco, and United Biscuits' failed bid for Imperial Group – and global concentration in food itself. The latter can be exaggerated; this deal is mostly about the US market, with the scope for economies correspondingly obvious. And in the US as elsewhere, the sense of urgency may only be a feeling that a window is closing. Presumably, after all, this bid was hatched when it still looked as if Mr Dukakis might win.

Share prices relative to the S & P industrial index



S & N

The fall in Scottish & Newcastle's price to 395p – 5p below Elders' offer – has its ironies. Partly, the weakness reflects the modest poison pill element in yesterday's deal between S & N and Pontin's. Mostly, though, it illustrates a curious role reversal, with Elders stressing the likelihood of a monopolies reference and S & N playing it down; the mere threat, after all, pushes the S & N price down and allows Elders to buy in the market. A reference starts to look increasingly likely, with both sides determined to see the process through. It need not follow, though, that Elders will be eager to buy in the meantime; as Goodman Fielder has discovered, holding a big stake in those circumstances can be a costly business.

Mecca/Pleasurama

If Pleasurama shareholders had simply thrown away all the offensive and defensive literature put out by either side during the 11 week bid battle, it would not alter the nature of the decision which they must now take. Their choice remains beguilingly simple: either to take it on trust from Michael Guthrie that Mecca can make more of Pleasurama's assets than the incumbent management, or to trust Pleasurama when it argues that Mecca cannot. History provides little help either way. Mecca's record is short and scintillating while Pleasurama's is long and creditable; and though life would be much simpler if one group were a bunch of cowboys and the other their innocent victims, neither stereotype is remotely suitable under the circumstances.

Few Pleasurama shareholders – even among the roughly one third who probably now support Mecca – would argue that Pleasurama deserves to be backed into a group one third its size. But just deserts are not what is at issue, and the Pleasurama management should not expect too much in the way of grand but futile gestures from the institutions. Money, too, is not really the point – or not enough of one to make decisions simple; the offer price can easily be massaged to suit anyone's case, but it is clearly neither too good to turn down nor too feeble to consider. If, as seems likely, the battle turns out to be as finely balanced as the arguments on either side – and is extended as a result – the advantage could well shift in Mecca's favour. For in the short term, Pleasurama's share price would probably suffer more from victory than would Mecca's if it wins the day; and those who hold both will not have failed to make this calculation.

Lonrho

For all the sound and the fury in Lonrho's shares, and the roll-call of punters from around the world purporting to be involved, there is still precious little to support the view that the company is about to be bid for. Despite the further 11p rise in the shares yesterday to 374p, the disposal of MrEdelman's 5 per cent stake and the confirmation from Mr Bond of a separate 4 per cent holding do not make matters any clearer.

Bond's interest is particularly puzzling, as he fits neither the part of friend nor of foe. Lonrho itself is making much of the happy times spent by Bond and Tiny Rowland in the Mediterranean, and of their joint interest in DBS and other projects. But it is difficult to imagine that Bond would have bought a stake at such an inflated price as a favour, particularly as he seems to have forgotten to mention it to his good friend. Still, it is just as hard to see him bidding for the company given how much he has on his plate already.

If nothing else, Lonrho has become a playground for the arbs, with Holmes à Court to be seen dabbling in both the shares and options, and everyone else from Kerry Packer to Sir James Goldsmith fondly believed to be playing too. Edelman's profit of up to £20m must look like easy money, especially as Lonrho is doing everything it can to help with its half baked plans for a management buyout, and extravagant calculations of what its assets are worth. As no outsider has the first idea of what Lonrho's asset value might actually be, the market is more than usually prepared to listen.

Polish Premier a man in a hurry

Rakowski's reforms face tight deadline, writes **Christopher Bobinski**

MR Meczyslaw Rakowski, Poland's new Prime Minister, knows he does not have much time.

With the communist authorities and their opponents laying out sharply diverging positions ahead of talks on the country's future, he has signalled his intention of proceeding rapidly with economic reform in the hope of boosting his side's bargaining strength.

"The next few months will prove decisive for the economic and political situation," he said last weekend.

His Government enjoys the strong backing of General Wojciech Jaruzelski, the party leader, but holds few other immediate advantages. As a result, Mr Rakowski realises that only concrete achievements will win him the modicum of popular support he needs to survive. The 62-year-old former newspaper editor (who was once mistrusted by the Soviet Union, and who could not have been appointed but for the change of climate in Moscow) spelt out his commitment to economic change at the end of September.

He told a closed meeting of the Communist Party's Central Committee that "socialism is going through a time of change and upheaval... Many dogmas held unchanged for decades will have to be relinquished".

He went on to pledge that his Government "would concentrate on removing restrictions which trammel individual and collective initiative." In practice this would involve "conflicts with various social groups, other political orientations and maybe sometimes with you, comrades."

But he also dispelled any idea that he was an out-and-out liberal, saying: "I intend to combine the mild smile with the firm grip whenever the interests of the nation, the state and the party require it."

In selecting his Cabinet, Mr Rakowski has sought to take on board people untainted by links with the traditionally conservative heavy industry lobbies which have done so much to block change. Four of his cabinet colleagues come from the market-oriented "society for supporting economic initiatives" which Mr Rakowski himself founded more than a year ago.

Mr Ireneusz Sekula, who now has the top economic post in the new Government, came up through the administrative machine but in a speech at the end of August declared himself a supporter of a major restructuring of the economy, away from the energy intensive sectors.

Some appointments to the new Cabinet, most notably that of Mr Mieczyslaw Wilczek, a wealthy private entrepreneur who abandoned the state sector in 1974, have been unconventional to say the least.

How far this team will be able to go in freeing markets, extending competition and company independence, attracting Western capital and channelling investment into consumer goods production is another matter.

For the moment the activity accompanying the Cabinet's installation has upstaged preparations for round table talks between Poland's rulers and Solidarity, the banned trade union. The talks were to have started at the beginning of this week, but last Friday Solidarity was informed that they would be delayed for at least another seven days.

The government of Meczyslaw Rakowski, enjoys the strong support of Wojciech Jaruzelski, the party leader.

Mr Rakowski consistently denies that he is opposed to the round table process and he asked a number of independent figures, mainly linked to the church, to join the new Cabinet. When they refused he left the four posts open, pending any progress in the talks.

On the other hand it can be assumed that one of the reasons for the speed with which he intends to move on the economic front is to achieve quick results and thereby weaken Solidarity's position.

Once the talks do get under way Mr Lech Walesa, the Solidarity leader, will be insisting on getting his still banned trade union legalised on the shop floor.

The authorities have made no secret of the fact that they intend to resist this.

The party authorities do, however, seem committed to trying to reach some form of agreement with the opposition in order to bring it into the parliamentary system and achieve a common platform for next year's elections.

The official plan includes a second chamber for parliament and a strong presidency, clearly a vehicle designed to lift Gen Jaruzelski above the fray of "change and upheaval" which his ally Mr Rakowski so clearly relishes.

Mr Jan Glowczyk, another member of the party leadership, told the Central Committee last month that "we aim to put this plan into effect, but obviously not at any price."

The "price" he referred to was clearly the relegalisation of Solidarity in its 1981 form.

He did, however, note in his speech that the objection to having more than one trade union in a factory alongside the present official unions was not a doctrinal one.

"In the long term if the country is calm and the economy developing properly then we can consider the issue of union pluralism".

It was the first official mention – albeit in closed session – of the hint whispered to Mr Walesa as well as to Polish churchmen that Solidarity would be recognised at some time in the future. It is a hint which has kept hope alive among moderates in the banned union.

Luxembourg may review holding company status

By Tim Dickson in Luxembourg

A SENIOR MINISTER in the Luxembourg government yesterday revealed that the possibility of tighter supervision over holding companies in the Grand Duchy is being considered in the wake of the Bank of Credit and Commerce International (BCCI) affair.

Mr Jacques Poos, Luxembourg's Finance and Foreign Minister, however, indicated that the accompanying bureaucracy "makes such a scheme unlikely." He added that the issue was "a matter for reflection inside the Government."

Last week's raids in Miami – which led to the indictment of BCCI, two subsidiaries and nine of its employees on charges of conspiracy to possess cocaine and launder the drug money – has put the spotlight on Luxembourg where the BCCI parent is registered as a local holding company. Mr Poos, however, maintained that the Grand Duchy had been unfairly singled out for criticism by the international financial community.

"There have been no charges as far as I am aware against Luxembourg staff members," he said. Holding companies are not allowed to undertake commercial transactions, open an account, make a loan, or buy or sell assets. "Controlling them does not bring concrete results and does not get to the place where money laundering is taking place," he added.

Luxembourg holding companies do not fall under the control of the Institut Monetaire Luxembourgeois (IML). Critics say this may not be unconnected to the fact that the two financial scandals to which the Grand Duchy's name has been linked in recent years – Ambrosiano and now BCCI – have both involved companies using this form of incorporation.

Mr Poos said that the Luxembourg authorities had not been asked to take part in the criminal investigation over BCCI. He added that if they had been asked, they would have co-operated.

French increase interest rates to defend franc

By Paul Betts in Paris

THE BANK of France increased its money market intervention rate yesterday by a quarter point to 7¼ per cent in defence of the franc, which has come under pressure as a result of strikes in the public sector and the rise of the D-Mark against the dollar.

Mr Pierre Bérégovoy, the French Finance Minister, warned last Sunday that the French monetary authorities intended to support the currency against speculative pressures caused by the growing wave of labour unrest.

Yesterday, Mr Roger Fauroux, the Industry Minister, added his voice to the Government's public insistence that it would maintain a tight grip on the economy in the face of demands by the country's 5m public sector workers for a relaxation in its rigid wage policies. The strikes are the first serious political and social test for the Socialist Government since it came to power five months ago.

Mr Fauroux said France could not afford to relax its policies because economic recovery remained fragile. The franc, too, was fragile for "mechanical reasons" because of its relationship with the D-Mark. "When the D-Mark goes up, the franc goes down," he said.

The Government's renewed promises to maintain economic rigour came on the first day of widespread public sector strikes, which disrupted urban transport in Paris and other big cities, as well as electricity and postal services.

A power cut delayed the opening of the Paris bourse yesterday while other cities were also hit by sporadic cuts caused by strike action by members of the pro-Communist CGT union at Electricité de France. Nurses are continuing their strike for better pay and conditions.

The disruptions are expected to reach a climax tomorrow when the public service unions hold a day of demonstrations and stoppages.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	F	22	72	Malta	S	25	77	Rhodes	S	23	73
Algiers	F	25	77	Edinburgh	R	12	54	Manchester	R	14	57	Rio de J'o	R	23	73
Amsterdam	C	15	59	Faro	R	19	66	Manila	F	32	90	Rome	C	27	80
Athens	F	22	72	Florence	C	17	63	Melbourne	C	17	63	Salzburg	S	21	70
Bahrain	F	36	97	Frankfurt	C	17	63	Mexico City	F	27	81	San Francisco	F	34	93
Bangkok	R	29	84	Funchal	C	22	72	Miami	C	27	81	Seoul	F	21	70
Barcelona	F	23	73	Geneva	C	21	70	Milan	S	20	68	Singapore	R	31	88
Beirut	F	26	79	Gibraltar	C	20	68	Montreal	R	15	59	Stockholm	C	10	50
Belfast	S	15	59	Glasgow	C	12	54	Moscow	F	09	48	Strasbourg	C	13	55
Belgrade	S	15	59	Guernsey	F	17	63	Munich	S	21	70	Sydney	S	23	73
Berlin	C	13	55	Helsinki	C	05	41	Nairobi	F	26	79	Taipei	C	28	82
Biarritz	F	19	66	H. Kong	F	28	82	Naples	F	23	73	Tangier	R	17	63
Bombay	S	30	86	Innsbruck	S	18	64	Nassau	F	30	86	Tel Aviv	S	26	79
Bordeaux	S	22	72	Inverness	S	14	57	New Delhi	F	34	93	Tenerife	F	24	75
Brussels	C	16	61	Islamabad	F	32	89	New York	C	23	74	Tokyo	C	20	68
Budapest	F	18	65	Istanbul	C	18	64	Nice	F	22	72	Toronto	C	17	63
B. Aires	C	17	62	Jakarta	R	33	91	Nicosia	C	26	79	Tunis	S	29	84
Cairo	F	27	81	Jersey	F	18	64	Oporto	R	15	59	Valencia	S	22	73
Cape Town	S	17	63	Jo'burg	F	23	73	Oslo	F	06	43	Venice	C	17	63
Caracas	R	25	77	Lima	C	19	65	Paris	C	20	68	Vienna	S	15	59
Casablanca	C	23	73	Lisbon	R	19	66	Peking	S	23	73	Warsaw	F	17	63
Chicago	C	08	46	London	C	20	68	Prague	C	12	54	Washington	F	15	59
Cologne	C	19	66	Los Angeles	C	28	82	Reykjavik	F	07	45	Zurich	F	16	61
Copenhagen	C	11	52	Luxembourg	C	15	59								
Corfu	S	23	73	Madrid	C	15	59								
Dallas	F	20	68	Majorca	F	24	75								
Dublin	R	13	55	Malaga	R	17	63								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Yugoslavia to act on economy

Continued from Page 1

remains in place. There are also fears among non-Serbs that if Mr Milosevic is thwarted over the Albanian question he will again press for an extraordinary congress of the national Communist Party, empowered to make sweeping personnel changes.

Non-Serbian politicians have opposed the idea of an extraordinary congress, fearing that the Serbian leader would use it to consolidate his position.

Computer talks collapse

Continued from Page 1

Unix should become the common industry standard has become an increasing source of irritation to the computer industry's customers, who are interested only in a standard and dependable operating system on which to run their applications software.

The members of the Archer group say they provide about 75 per cent of the Unix systems shipped this year with the OSF members providing the rest. They say their intention is to establish an industry association that will "assure the continued evolution and compatibility of Unix systems

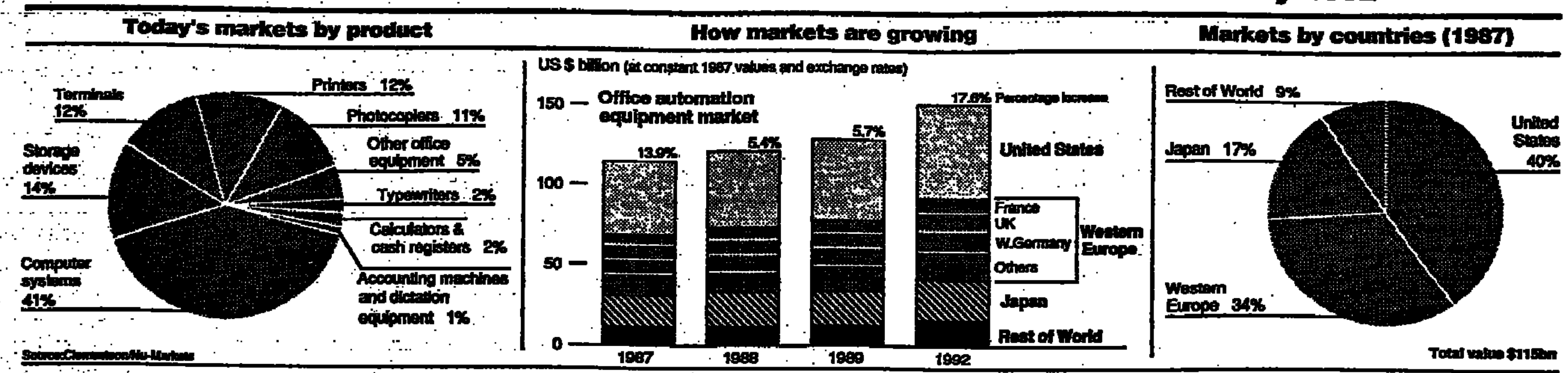
It is expected that the OSF will take up to 18 months to bring to market products based on AIX – but there is already a growing requirement for Unix systems.

For computer users, the industry standards battle presents a major problem. They risk being left with a non-standard computer operating system that may not be compatible with future developments

SECTION III

FINANCIAL TIMES SURVEY

The worldwide office automation market is set to reach $150bn by 1992



OFFICE EQUIPMENT

Planning for office automation is becoming more strategic for many companies, large and small, as today's advanced systems offer improved business processes, increased output and a better quality of management, as Della Bradshaw reports here.

New boost for productivity

THE PAPERLESS office was much-heralded in the early 1980s. But as electronic equipment manufacturers failed to deliver the goods, many businesses became sceptical of the new methods of working. Now there are very definite changes afoot, and electronic equipment and office systems are slowly but surely bringing automation to the office.

Installation is being spurred on by executives' belief that office technology can give their companies a competitive edge, and most companies now have an office automation network as a white collar support system.

As office automation planning is becoming part of large companies' strategic planning, decisions about its implementation are much more likely to be taken at board level than five or ten years ago, according to Peter Blackmore, Director of Marketing for Rank Xerox in the UK – "there are big opportunities for office automation which supports business processes. Improved business processes can improve the quality of management, and that's a very powerful argument in large organisations," he says. Gone are the days when top managers bragged that they "never touched a keyboard."

As office automation planning becomes more strategic, so companies are looking for items of office equipment which will work together and can be integrated with existing systems. One result is that the stand-alone photocopier and typewriter, for years the mainstay of the office, are now being superceded. The photocopier market in the UK, for example, is only growing by two per cent a year, and most of the machines are replacements for existing models, according to the National Business Equipment Survey.

Sales of typewriters show a similar trend. Wharton Information Systems, the office equipment market survey company, says that sales of typewriters in the UK are well below predicted figures for the first six months of 1988. The market is virtually stagnant at the moment, but worse is to come. Wharton predicts the number of typewriters purchased next year will be as low as 187,000 units, down from 269,000 units this year.

By 1990 the number of typewriters sold will be down to 130,000 units. The personal computer (pc) and the workstation are taking its place.

Today there are an estimated 18m pcs on corporate desks in the US. In the UK there is one pc for every 3.5 office workers, which in turn is slightly ahead of the rest of Europe, says Judith Wainwright, manager of office systems consultancy at Butler Cox. That figure will rise to one for every two workers in the next five years. She points to the falling price of computer hardware and pressure on businesses to compete effectively as the main reasons for the move to more automated offices.

Attitudes to buying office equipment are slowly beginning to change as a result – "the most imaginative and productive applications of office automation are coming from companies which see it as an investment rather than an expense," says Ms Wainwright.

Overall the office equipment and services market is buoyant and worldwide is worth around £200bn. Electronic office equipment accounts for the highest proportion of that, at about $115bn in 1987, according to the latest Clementson/Nu-Markets report on Worldwide Office Automation to be published this month.

By 1992, the report predicts the market for electronic office equipment will be worth $150bn. The largest market is in the US, which is expected to be worth $47.6bn for electronic equipment alone this year.

Business for UK office equipment manufacturers is also on the upturn. The Business Equipment and Information Technology Association, (BEITA) estimates that British industry produced £12.99bn worth of office equipment last year – everything from microcomputers to chairs – up 15.3 per cent over the previous year. Exports have increased over the past year by 20.1 per cent, to £3.5bn.

The two biggest growth areas in the UK are at opposite ends of the technology spectrum. The office furniture market grew from £428m to £505m, mainly fuelled by the growing demand for systems furniture. The market for computers went up from £8.7bn to £9.7 bn.

One of the biggest controversies over the past year in the office equipment market has been the anti-dumping duties imposed on several Japanese manufacturers by the European Commission. Photocopiers, electronic typewriters, dot matrix printers and serial impact printers are now all liable for imposed duties.

It is still not completely clear how those decisions will affect the price of equipment in Europe, although Wharton reports that Brother and Canon, the two leading Japanese manufacturers of electronic typewriters, are already showing curtailed growth as a result. In the photocopier market, too, Japanese manufacturers have lost their price advantage as a result of anti-dumping tariffs, according to the National Business Equipment Survey.

The cost of some items of office automation equipment are already double the price charged for similar equipment in the US market, according to Clementson/Nu-Markets. Its report predicts the removal of trade barriers in Europe in 1992 could mean European manufacturers come under pressure from American office equipment manufacturers as well as Japanese ones.

In the office furniture market the promise of 1992 has already persuaded the big American manufacturer, Haworth, to buy a stake in Europe through the acquisition of the Comforto seating division of Vickers. Rationalisation in the European office furniture business through acquisition has been the key to the past six months, with seven companies changing hands.

■ The office automation sector is the fastest growing sector within the £200bn worldwide market for business equipment and services. In the UK, many innovations in the sector will be featured at the International Business Show at Earls Court, London, October 24-28.

■ Above: a secretary uses the new AEG Olympia Polyfont Workstation which has a character-recognition program, developed from one used by the US postal services, for reading hand-written post codes. The system provides a fast and accurate way to automate the tedious data-entry process which is central to many office automation systems.

■ On other pages:

□ Preparations for a single European market; advances by Japanese manufacturers, page 2.

□ Office equipment product categories, pages 3-7.

□ New facilities for the office in the home, page 8.

As the move towards the more automated office is fuelled by customer needs, one of the key trends will be the integration of different types of equipment to do different jobs and from different vendors. Companies such as Rank Xerox and Wang have already developed personal computers which can link into a facsimile machine, so the document does not have to be printed out before it is transmitted. Rank Xerox is also planning to incorporate a photocopier into the office network.

The office equipment market is being influenced by the services market as well, most notably by developments in telecommunications. For some time companies have been using electronic mail services based on their own computer systems for communication within buildings, and using dedicated electronic mail networks run by telecommunications companies for their inter-company communications. Mr Blackmore believes other sorts of value-added services over the telephone line will also become an integral part of office services.

One particular development that is likely to have an impact on businesses is the Integrated Services Digital Network (ISDN), which allows simultaneous voice and data transmission over the ordinary telephone network, using the telephone wires installed in most buildings. As the services are being introduced by telephone companies worldwide, ISDN could be used both nationally and internationally.

Alan Payne, Market Development Manager for office automation manufacturer Wang, believes ISDN services will give customers much more flexibility and will be crucial in integrating different types of equipment – "ISDN will act as a backbone for connecting a very large array of technologies together," he says.

By 1995 there will be over 4m ISDN subscribers in the US, France, Germany and the UK, according to a report from the market research organisation, Ovum. That will mean that 5 per cent of US telephone customers will be using ISDN services by 1994, and the same penetration will be achieved by France and Germany in 1995 and by the UK in 1996. British Telecom is launching its full ISDN service in the UK this week.

The Ovum report goes on to say that along with the provision of ISDN services there is a new generation of customer equipment emerging to take advantage of them, ranging from office telephone exchanges to boards which turn standard pcs into ISDN communications terminals. The report estimates that ISDN customer equipment is one of the biggest new markets in the electronics or office equipment market, and could be worth $5bn in the US, UK, France and Germany by 1995.

Other developments in office equipment include the burgeoning market for desktop or corporate publishing, and the increasing use of mobile communications, such as cellular radio, which can be linked into the office telephone exchange.

But where does all this leave the paperless office? Wang's Mr Payne believes there is still a long way to go before the paperless office becomes a reality. He estimates that in spite of the accelerating introduction of automation in offices, about 90 per cent of information in companies is still kept in filing cabinets. Mr Blackmore from Rank Xerox agrees with him - "we need to recognise that the paper world is not going to go away," he says.

National Business Equipment Survey: 71, Quickswood, London, NW3 3RT; Wharton Information Systems: Regal House, London Road, Twickenham, Middlesex, TW1 3QS; Clementson/Nu-Markets, Worldwide Office Automation: 22, Cardiff Road, Luton, Beds, LU1 1PP; BEITA: 8 Southampton Place, London WC1A 2EF; Ovum Ltd: 7 Rathbone Street, London W1P 1AF.

New advances by Japanese manufacturers

A cause for celebration

OFFICE equipment-makers in Japan are finding cause for celebration in recent advances in the electronic processing of the complex Japanese script, which have enabled significant growth in the word-processor and personal computer markets.

But the exceptional popularity of the facsimile machine illustrates a continuing reliance, in Japanese offices, upon paper-based communications, notably the hand-written memo.The slow pace of office automation in Japan is one of the factors behind makers' enthusiasm for a vigorous presence in overseas markets.

Trade conflicts abroad, however, especially anti-dumping moves by the European Community, have been a central feature of the office equipment scene during the past year.

A traditional unfamiliarity with, or aversion to, the keyboard, among the Japanese, is finally being eroded by new softwares and innovative keyboard designs which have made the electronic processing of the vast array of Japanese ideographs practical for the ordinary office worker.

Although networked decision-making at a senior management level is still a long way off, a rising volume of low-level clerical work is now being handled on word-processors. The domestic market for word-processors is expected to reach a value of Y230bn this year, up from Y35bn in 1982, while unit sales have leapt from 228,000 in 1984 to a current level of 2.4m, according to the Japan Business Machine Makers Association.

But the outstanding success story of the past year has been that of 'laptop' units in the office market. The level of interest has been such that makers have been obliged to develop customised local-area-network adaptors to facilitate linkage of the units throughout offices.

Toshiba Corp. has led the field, claiming to have sold Y12bn yen worth of its IBM-compatible laptops in the fiscal year ending March 31st this year, in a market which it estimates totalled Y20bn. The company forecasts Y34bn of laptop sales this year, in a market worth Y40bn, and also recently became the first Japanese company to offer a 32-bit laptop unit.

Industry analyst Steve Myers, of Jardine Fleming, notes that "for Toshiba to go from nowhere to 10 percent of the entire PC market in just 18 months with a product incompatible with any other then on sale is most remarkable."

The growing acceptance of laptops is likely to have a strong effect on the future marketing strategies of leading firms, and appears to offer support to the basic marketing philosophy of NEC, which has promoted PC's as elements of upwardly expandable personal information systems, rather than as terminals for large computer systems - the dominant approach of most other firms.

The future direction of the market is also closely tied to user-interest in 32-bit equipment. Demand is expected to grow rapidly, because these machines, equipped with IBM's recently introduced OS/2 operating system, offer a solution to the limited memory addressability and multi-tasking support of 16-bit machines working on MS/DOS.

This limitation is felt more keenly than in the West, because of the high volume of data that must be processed when handling Japanese script.

IBM Japan has already managed to establish prominence in this arena by introducing the versatile SMART packaged software for its PS/55, the Japanese version of IBM's 32-bit PS/2.

The Japan Electronic Industry Association expects that annual sales of 32-bit machines in Japan will reach 400,000 by 1991, in a domestic market worth Y1,072bn, while 16-bit machines will level off at current volume of approximately 1.25m units a year.

Japanese laptops are also doing well in overseas markets, with NEC and Toshiba models now leading the field in the U.S.. This marks a particular achievement for NEC, whose MultiSpeed unit is top-ranked, since the company suffered in the U.S. initially, after mistakenly attempting to market machines which had not been redesigned to suit local accounting and business practices.

Taking office equipment as a whole, however, it is still the facsimile which remains supreme in Japan; a facsimile number is now in fact as essential as a telephone number even in small businesses. A recent survey estimated that over 1.35 m units are now in place in offices across the country.

Production of facsimiles doubled in one year between 1986/7, reaching a total of 2.4m units last year, with 1.5m units exported, according to MITI.

The darkest clouds over the office equipment scene are to be found in Europe, where Japanese makers are incensed by implementations of the so-called 'screwdriver law,' introduced by the EC in June 1987 as an extension of anti-dumping legislation.

In March this year, 'screwdriver' penalties were slapped on four Japanese typewriter producers operating in Europe: Sharp, Matsushita and Silver Reed, all based in Britain, and Canon Bretagne in France.

In September, makers of photocopiers found themselves facing a similar action. Japanese printer-makers have also recently been accused of direct dumping of their goods. In the latter case the Japanese electronic printer-makers are vehemently asserting that the EEC dumping ruling has been based on an illogical comparison of down-market personal computer printers with heavy-duty European-made units designed for use with mainframes.

Those facing 'screwdriver' levies are arguing either that they have met local component quotas, or that a higher imported component quota should be allowed during a business 'start-up' period. In addition, Japanese makers assert that it is often impossible to meet local parts quotas because European components can be unreliable in quality and delivery.

An underlying Japanese fear is that failure to establish a viable presence within Europe in the near future could lead to them being excluded from key sectors after the 1992 EC unification.

On the fringe of the office market, makers of the new-concept 'electronic notebooks', a folder-type calculator which includes personal schedule, phone directory, calendar and other functions, have carved out a new niche of their own, going some way towards achieving their objective of 'adding value' to conventional low-end calculator products, a sector now almost entirely abandoned to rivals in the NIE's.

Sharp's innovative PA 7000, which features slot-in cards giving information on specialised subjects, such as 'cost-analysis', 'salesman' and 'translation' cards, has established itself as the industry design standard, with sales of over 100,000 per month, priced at Y19,800 per unit, early this year.

Another success is the hand-held photocopier, pioneered by Plus Co. Variations on this concept which feature a hand-held scanner which can transmit images and data to remote terminals, appear to hold future promise.

Roy Garner
Tokyo

Preparations for a single European market

More alliances planned

A FEW months ago the McKinsey report provided a depressing view of Britain's electronics industry – the impression was that it would be difficult for UK companies to survive until 1992, never mind beyond it.

This view, of course, produced vociferous renunciations from Plessey and GEC and other UK conglomerates. But if you take away the government and defence contracts, the health of the indigenous UK computer industry is far from assured.

The popular view is that 1992, and the single European market, will be the saviour of the UK industry – it will gain us entry into Europe and automatically generate new markets and large profits.

But there are two problems with this simplistic view: first, it also gives Siemens and Philips, and Nixdorf and Olivetti and all the other European companies access to the UK market. And, secondly, it will also give the Americans and the Japanese access to the same pan-European market. Indeed, 1992 will benefit most those companies which are best able to take advantage of the opportunities – and it has yet to be proved that any European companies, never mind UK companies, fall into this category.

Mr Jim Watt, chairman of the UK OS/2 User Group (OS/2 is the new IBM operating system for the PS/2 microcomputer), and managing director of QA Training, thinks the UK's major difficulty is a cultural problem stemming primarily from the City of London's attitude towards return on capital.

"We have a difficulty in investing for the future," he says."The arrival of a new microcomputer operating system has given European software companies an ideal opportunity to compete with American software on equal terms. But when I look around, the only serious development I can see is in America.

"In the UK we need profit immediately – but American and Japanese companies are able to finance more long-term developments."

Challenged with the frequent City assertion that there is just as much venture capital available in Britain as the US, Mr Watt replies:"I've seen little proof of that. But I do know that if I had a great idea for a new product, I would be unable to fund it from UK sources, but would have little difficulty in the US. What saddens me is that despite the unquestioned quality of UK and European software developers, I can see nothing but US dominance in microcomputer software continuing indefinitely.

"I think exactly the same problem exists throughout the UK's information technology industry."

This is a view shared by the UK marketing consultant, Mr Eric Leach – "the most damning reason for the UK's lack of success in Europe is a lack of ambition. The US and Japanese success is, in part, attributable to their persistence and financial resources – succeeding in a new country at perhaps the second or third attempt."

He is not, however, totally pessimistic – "1992 will not improve any of our existing problems. But we do have a significant marketing advantage: UK vendors are typically more attuned to the cultural diversity throughout Europe than are US and Japanese vendors."

But will 1992 improve anything for the computer and business equipment sectors? The combined effect of 1992 and European computer standards, says Rod Matthews, director of Network Systems at ICL, will provide "a nice flat playing field. The problem is that it provides the same flat surface for all the teams, both friend and foe."

Mr Matthews is particularly concerned with the development of international computer standards, and is the only person to sit on both the European SPAG and US COS standards bodies. He does not believe that all the problems for UK companies are going to come from other European companies.

"In many cases," he adds, "some of the American companies are already more 'European' than we are."

The implication is that more US companies already have a large European presence with their own European headquarters than UK companies. But some of these American manufacturers take an even stronger view. IBM, for example, employs more than 100,000 people throughout Europe. The organisation supports 37,000 more in supplier companies, and has 1800 agents and 3000 dealers.

"Is European success," asks C Michael Armstrong, President Directeur General of IBM Europe SA, "investment in local industry and European sourcing of products? If it is, then contrast IBM, which builds more than 92% of its product content in Europe, and has 15 European manufacturing plants, with other European IT companies which are increasingly dependent on Far Eastern sources."

(It is a sobering thought that according to this argument, IBM is more European and perhaps more British than, say, Amstrad).

"Compare these companies' investment policies," continues Armstrong, "with the $1.2bn dollars of capital we have invested in Europe in the last two years alone.

"IBM," he concludes, "is the most European company in the Community."

ICL's Matthews has no illusions about the difficulties ahead, not just for UK companies seeking to increase market share in Europe, but for European companies striving to prevent increased penetration from America and Japan.

"It's almost too late to be thinking about strategies for 1992," he says. "Plans should have been laid long ago."

Armstrong agrees – "1992 may be a turning point; it cannot be the starting point. Scarcely a day passes in the IT sector without a joint venture, alliance or other link up being announced between complementary – and often competitor – companies."

Consider Olivetti: in Italy, the company it has a factory which it shares with Canon. The factory produces photocopiers - and they are the same photocopiers. When they come out of the factory, some are labelled Olivetti and some are labelled Canon. Olivetti and Canon co-operate in the manufacture; but once the machines are out of the factory, then the Olivetti sales force will compete directly with the Canon sales organisation to sell the same product into the same market.

Scarcely a day passes in the information technology sector without a new joint venture or alliance being announced between complementary or even competing companies

This is the sort of international co-operation which the business equipment sector can expects to see increase over the next few years. The Dutch giant, Philips, believes that the answer is to think not in merely European terms, but to treat the world as a single global market. For this, it does not believe that any single company can provide all the necessary products: so international strategic alliances will be inevitable.

Siemens in Germany takes a similar view, but likes to think of itself as a basically German company which will concentrate first on the European market.

As regards computerised business equipment, the UK picture, one has to say, is not encouraging. Market analysts point out that many British manufacturers are having difficulty in maintaining UK market shares, even today. Faced with increased competition from Europe after 1992, and ever-increasing competition from America and Japan after that, we can probably expect to see two or three European electronics companies in the world's top 20 electronics companies, in ten years time – but none of them will be UK companies.

As regards investment in computer equipment, some would argue that many UK companies must change their blinkered approach. The market challenges of 1992 and beyond means that the availability of genuine venture capital in the sector is crucial.

Kevin Townsend

FT surveys on business communications and equipment

AMONG FT surveys this year which featured office automation and business communications were:

□ Computers in Business, Thursday, May 26.

□ European Telecommunications, Wednesday, May 11.

□ Open Systems and Computing Standards, Monday, June 6.

□ Mobile Communications, Monday, September 12.

□ Personal Computers, Friday, September 16.

Among future surveys on computer technology will be:

□ Information Technology in Finance, to be published on Thursday, November 10, 1988. An editorial synopsis is available from the FT London office, tel.01.248.8000, ext.3337.

OFFICE EQUIPMENT 3

THE COPIER MARKET

Poised for a year of high activity

THE UK copier market, the third largest in Europe, looks set for a great deal of activity during 1989 through to 1990. Currently worth some £450m with units sales topping 150,000 annually, further strong growth is forecast by the manufacturers well into the 1990s, with new markets about to emerge.

The high speed market, currently dominated by Kodak, Nashua (IBM), Oca and Rank Xerox, is set to gather momentum as more Japanese seek a share. Digital technology, which not only offers more sophisticated editing and colour but integration with other OA technologies such as facsimile, should take off as we move towards the era of ISDN (International Services Digital Network).

The personal copier sector, currently dominated by Canon, is likely to become a very crowded sector over the next 12 months as more companies seek to follow the US trend and sell products through mass market outlets.

The reason for all this activity is simple enough. The computer sets the pace of business life today, bringing a new sense of urgency to everything we do. Where once we accepted having to wait for information, we now expect to receive it on the spot, because we know it is possible.

The problem is computer printers cannot handle multi-page document sets at speed. You still need a copier and sophisticated paper handling facilities for that. However, because of the need for greater productivity, users are now demanding machines at the point of use; they no longer have the time nor the patience to stand in a queue to use a central resource.

It is a trend that the Japanese manufacturers have seen coming, hence the reason why a number new entrants in the 45-plus copies a minute sector are expected in 1989. In the last three months, Gesteter, Rank Xerox and Toshiba have all launched 55cpm machines.

Confirming the trend, the latest National Business Equipment Survey shows that high speed copiers accounted for 12% of all placements in 1987 compared with 7% in 1986, with 20% predicted for 1988.

Conversely, 12-25 cpm machines accounted for 42% in 1987 compared with 46% in 1986. NBES figures also show that 70% of all copiers sold in the UK were replacement machines, highlighting the demand from existing users for newer technology equipment. It is a trend confirmed by Sharp which says that copiers are replaced, on average, every 2½ years.

However, with decentralisation, copiers are not necessarily being replaced on a one-for-one basis. The one central copier is often being replaced by three of four machines that cater for particular departmental requirements.

Jolyon Baldwin, a director of Canon(UK) believes that we are seeing the beginnings of a dramatic change in the way organisations plan for copier purchasing — "I see the large copier-duplicator as a machine for the print and production department; the high speed machine, complete with sorter and stapler, for departmental use; digital copiers with sophisticated editing and colour for the design studio, for example; and maintenance-free personal plain paper copiers for the senior executive and his secretary."

John Owen of Sharp believes that modularity will be an increasing trend, not least because it makes it easier to 'tailor' a machine for specific users — "not all departments want the same facilities. Some might want to copy lots of originals, other may want to produce multi-part sets. Others may want to copy from books and magazines, others to copy large-size originals.

"If you have a basic machin e where everything is optional, even the platen cover, then you can build the copier to suit the user."

While some manufacturers do not see a clear market yet for colour, others, like Canon and Konica, are more optimistic. Yet again, its fortunes may be determined by the PC marketplace. Material for presentations to clients and management is increasingly produced in-house on computers.

Statistics in the form of graphs and charts is a normal requirement. No one can argue that the use of colour adds impact to any presentation. That is why colour monitors and colour printers are becoming more popular.

For the moment, most people would go to a service bureau for colour copies, presentation slides and overheads, which is why Kodak has high hopes for its new ColorEdge, the first installation having taken place earlier this month. Spot colour has been available on office copiers for some time, but it has not really taken off; but, as Tom Primett of Minolta explained: "It has to be easy to use. People don't want to have to press 15 buttons and go through complicated editing routines. Two buttons is quite sufficient."

It is for that reason, he says, that the Simul-Color concept "is doing remarkably well." But full-colour could prove the winner in the longer-term. Jolyon Baldwin comments: "There is no doubt that once a company installs a colour copier, then they start using it for more applications. Some of our customers are doing some very high volumes indeed, far more than anybody expected."

Executive director of Konica (UK), John Daniels, believes that the market will begin to emerge as new developments in the pipeline lead to lower prices — "for example, in Japan we have just announced a digital colour copier, the 8010, which will be considerably lower in cost than the Color 7 because it is a plain paper rather than photographic machine."

No date has been set for the European launch. Plans are also afoot within Infotec to introduce a colour copier manufactured by Ricoh. Paul Denny revealed: "Its code name is NC11 and it will be a fully-featured machine with sorter, cassettes, zoom, and so on, capable of producing colour copies at 5ppm or block and white at 22cpm."

It is too early to set a price, of course, but Mr Denny would hope for something in the £7-8,000 bracket.

Another very interesting prospect on the horizon hints at the future of integration — "we will launch the 5010 digital copier next year and I believe it will offer the option at a later date of a plug-in fax card," he says, but could give no price — he felt that "a complete package for under £10,000 would be nice."

With higher speeds and sophisticated facilities, machine availability becomes a major issue; downtime of any equipment is no longer considered acceptable in larg organisations.

Winning copier contracts, then, is not quite as easy as it might once have been. Highlighting this point, Birmingham City Council City Supplies Office took five months to make a decision about a preferred supplier for its large user community.

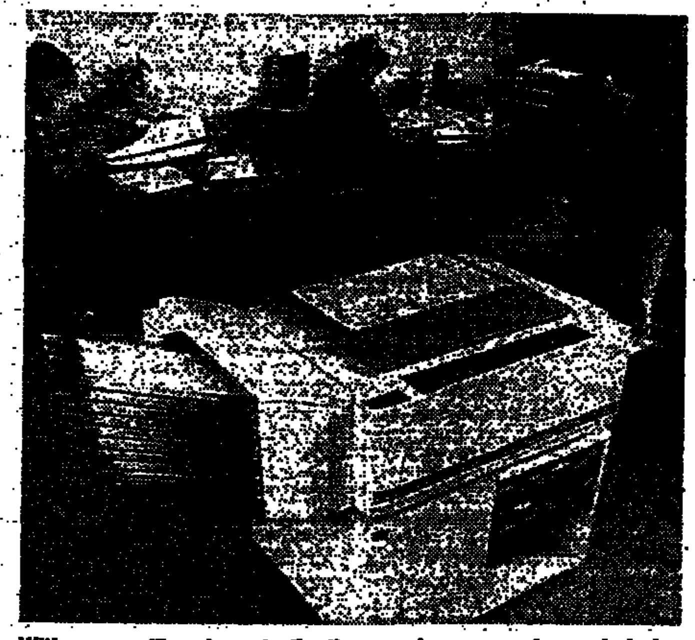
In the event, a three-year contract was signed with Oca Copiers for the supply of some 800-1,000 copiers; the deal being clinched because it had a proven service track record. It is for exactly the same reason that European manufacturers, including Rank Xerox and Agfa, continue to be so successful with major accounts.

At the personal end of the market, of course, the boast is that machines don't need any maintenance, except for replacing the drum and toner which is in one customer-replaceable unit.

With an eye on a market currently dominated by Canon, full-featured personal copiers costing around £600-£700 are now available from Minolta, Olivetti, Olympia and Rank Xerox.

Sharp and Infotec have plans for 1989, while others are poised with products in the backroom but have yet to decide to take the plunge. Yes, 1989 should indeed prove a very interesting year for copiers. What was that they said about the paperless office?

Julie Harnett



With more office decentralisation, copiers are not merely being replaced on a one-for-one basis. Reports show that one central copier is often being replaced with as many as three or four machines to cater for different departmental requirements. Purchasers are also becoming highly selective: downtime for out-of-action machines is no longer considered acceptable, especially in larger organisations.

Difficult choice for buyers

THE COPIER market has long been one of the most competitive in the office equipment sector. This, in turn, has fuelled a features war, with manufacturers adding 'little extras' into their revamped copier ranges - although recent surveys show that basic features and reliability matter most to end-users.

Most copiers are sold through dealers - "it's usually possible to get 25% discount off the manufacturer's recommended retail price on the majority of copies, sometimes more - and that's on a one-off single machine sale," comments the 110-page report by *'What to Buy for Business.'*

While a few suppliers still have a strict no-discount policy, a salesman's quoted 'list' price may be considerably higher than the manufacturer's suggested list price - "in this way, some dealers can offer what looks like generous discounts without having to eat into their margins or pass any savings on to the customer," says the report which adds that 'cost per copy' rates are generally just as negotiable as purchase prices."

A number of dealer-based, high-discount suppliers emerged with "very respectable ratings on service, and easily beat companies which rely more on direct sales and give very mean discounts."

In a user-survey of 244 copier models from 24 manufacturers, the report gives a 'recommendations short-list' of best-buys and good values for a wide range of machines:

☐ Mini copiers (for under 1,000 copies per month): Sharp Z-50; (good value: the Canon FC-3).

☐ Low-volume non-A3 copiers (for between 1,000 and 3/4,000 copies a month, though some machines in this sector handle up to 7,000 copies a month): Sharp SF-7300 and the Mita DC-1255; (good value: the Mita DC-1205; Konica U-Bix 112; Sharp SF-7350).

☐ Low-volume A3 copiers: Sharp SF-7700, Canon NP-1215, Sharp -7750; (good value: Konica U-Bix 150, Panasonic FP-1510, Mita DC-1655, Minolta EP-370z, Mita DC-1787).

☐ Mid-volume copiers (for volumes of between 15,000-30,000 copies a month): Panasonic FP-3007 and FP-3040; (good value: the Mita DC-2105 and DC-2055; Toshiba BD-7610; Sharp SF-8500; Minolta EP-425Z Simul-Colour.

☐ Upper-mid volume copiers (up to 40,000 copies a month): Sharp SF-8800 and Mita DC-4065; (good value: Mita DC-4055, Canon NP-4540-ADF and RDF).

☐ High volume copiers (50,000 to 60,000 copies a month): Ricoh FT5590/8820 plus the Xerox 1050RH and Xerox 5062 machines; (good value: Ricoh FT5580, Panasonic FP-4650, Mita DC-5585, Océ1750, and Konica U-Bix 550Z.

☐ Giant copiers (i.e. 60cpm - 70cpm models, designed for up to 100,000 copies a month): Konica U-Bix 700ZA and Xerox 1065 (ADF/Finisher); (Sharp, Canon and Océ machines also featured in the "worth a look" list of this category).

**What to Buy for Business: 11 Kings Road, London SW3 4RP; tel.01.730 0403*

Michael Wiltshire

World copier market could reach $43bn by 1991

SATURDAY, October 22, 1988, marks the 50th anniversary of xerography, the inspiration of Chester Carlton. The process was invented as a solution to a problem within the patents department of electronic firms, P.R. Mallory & Co, where he was manager.

With never enough carbon copies of patent specifications, he thought that not only his company but the world needed an inexpensive method of producing fast copies. But having spent months developing the principle of the xerographic process, he found it almost impossible to find a company who would back him. Even the National Inventors' Council dismissed his work.

Undaunted, he eventually found a non-profit organisation, Battelle, willing to develop the process and share the royalties. Three years later, they entered into an agreement with a small photo-paper company called Harold, later to be known as Xerox.

It was not until 1959, however, that the first plain paper copier was introduced. Events since then speak for themselves. Rank Xerox is now a multi-product company marketing not only copiers but electronic typewriters, facsimile machines, laser printers and electronic publishing systems. In 1987, its revenues were £2.2bn, 15 per cent up on 1986.

The world market for plain paper copiers was worth $34.6bn in 1986, according to Dataquest, the American market research company, and will reach $43bn by 1991.

Julie Harnett

COMPUTER PRINTERS

Colourful era ahead

THERE ARE two major trends in computer printers. Users are moving away from character and towards page-based printers; furthermore, there is a move from monochrome towards full colour printers.

So, while the market is currently dominated by black and white impact dot-matrix printers, we shall increasingly see the rise of both colour and page printers over the next few years.

Colour is an interesting subject: not everybody is convinced that it is advantageous. We are accustomed, after all, to black and white information in the office: colour is used only for the presentation of data summaries, not for the general distribution of the data itself.

But did we standardise on black and white simply because that was all we had?

Although the sales of colour printers are increasing, the market share of colour dot-matrix printers is declining quite substantially. But this is probably a reflection more on the suitability of dot-matrix technology to colour than on the future of colour itself.

All colour printers use the same basic colour technology: the intermixing of tiny dots in the three primary colours of yellow, magenta and greenish-blue cyan. The eye confuses the distinction between the dots and perceives different colours — just like a television screen. It follows that the smaller the dots and the larger their number, the greater the variety and subtlety of the colours available.

Although dot matrix printers are increasingly moving towards the use of 24 pins to create the matrix, the majority of dot matrix printers cannot produce a sufficient number of different colours at an acceptable speed.

The two most successful colour technologies are currently bubble-jet (a variant of ink-jet technology) and thermal wax transfer. This latter system can provide excellent results; but with prices starting from about £5,000 (and more usually closer to £10,000), they are expensive to buy and to operate.

Bubble-jet technology provides a result that is better than colour dot-matrix and cheaper than thermal transfer. It is a technology that Canon claims as its own, but one that is also being developed by Hewlett-Packard; it is reported that the two companies have a technology-transfer agreement.

Bubble-jet printers are inherently simpler; and both Canon and Hewlett-Packard believe that this is the way forward for colour printers. This is interesting in itself since Canon is the most successful manufacturer of the world's most successful printer technology of the late 1980s: the laser printer. And Hewlett-Packard, of course, is the most successful volume seller (with its LaserJet series) of Canon laser printers.

The latest dot matrix printers can produce a resolution of up to (and a little beyond) 360 dots per inch. This is identical to the majority of xerographic printers, although the latest generation of laser printers can produce up to 600 dots per inch.

Looking ahead, bubble-jet printers are likely to link up with the new colour scanners to provide completely integrated office equipment stations. The scanner will digitise images, the computer will be able to edit it, and the printer will produce hard copies. The combination will be used as the office scanner, the office printer, the office copier (colour, of course), and the office facsimile machine (colour again) — four stations, all in colour and with the power of PC editing, for the price of two.

Kevin Townsend

Big boost for the facsimile equipment industry

A period of dynamic growth

FACSIMILE is one of the most dynamic sectors of the business communications market. Sales are growing at a prodigious rate and suppliers have been queuing up to enter the market.

In Britain, before the recent postal strike, installations reached the 250,000-mark, according to figures published by the British Facsimile Consultative Committee, (BFCC).

During the first six months of 1988, over 96,000 terminals were sold, and with sales being given an extra impetus by the postal strike, the forecast of 150,000 sales for 1988 is likely to be comfortably exceeded. This is a far cry from 1984, when total installations numbered only 10,000.

In the UK, the strike was a great boost for the facsimile industry, since the severe postal disruptions brought home vividly the speedy benefits of fax systems.

Simple to use and with a large user base, such systems will transmit text or graphics in seconds over telephone lines for the price of a call. Indeed, Frank Woolley, facsimile sales manager for Mitsubishi Electric, one of the recent entrants to the market, said: "I am tempted to hope that there are regular postal strikes!"

During the month of the postal strike, the company's sales doubled.

Moira Pollard, marketing manager for Interscan Communication Systems, also reported a doubling of sales said that there were signs that more documents will continue to be sent by fax from now on, rather than by post.

The fax phenomenon — which has to do with communication in the purest sense of the word — is one in which, appropriately, the news media itself is actively participating. Most national and regional newspaper and broadcasting organisations, for example, have installed fax - the printing, publishing and media sectors are among the top five purchasing groups of fax in the UK — according to the National Business Equipment Survey — equal to 13% of the fax market; professional services represent 15%; manufacturing industry, 14%; and government departments, 12%.

Facsimile really began to take off with the introduction of common standards. Before these were agreed, only fax machines manufactured by the same company could communicate with each other, thus dividing the market up into several closed user-groups.

Today's machines conform to one of four standards — groups one, two, three and four. Group one and two are virtually obsolete, and the sector is currently dominated by group three machines, which account for over 95 per cent of the market.

These machines can, by and large, transmit an A4 page in under 30 seconds, as opposed to three and six minutes, respectively, for group one and two machines.

Many suppliers now claim transmission times of anything between ten and twenty seconds, but this can be misleading. To achieve such a speed, the machine would have to be "talking" to a terminal of the same manufacture and transmitting on a perfect telephone line.

Some fax suppliers in Britain saw sales double during the recent postal strike

Because users are at the mercy of the quality of the analogue telephone lines, the fourth standard, group four, has yet to make any real impact in Britain, although it is widespread in Japan.

Designed to operate over digital lines, group four machines will only start to make a dent in group three's supremacy in the UK when BT has completed its digitised network in the early 1990s. Meanwhile, NEC and Canon are among manufacturers with group four machines in the UK market.

The past year has witnessed a dramatic increase in the number of suppliers. Companies such as Toshiba, Mitsubishi, Fujitsu, Ferranti, Teli, Minolta, Hitachi, Betacom, Nashua, Ricoh, Olivetti, Olympia, and Gestetner have all entered the fray. And with Philips poised to announce a range of three models in November and rumours that Alan Sugar's Amstrad is also set to launch a new product, activity in the market could become even more frenetic.

Despite the number of suppliers, the market is currently dominated by ten major companies. According to the National Business Equipment Survey (NBES), these companies accounted for over 98 per cent of the UK market in 1987. Of these ten, NEC accounted for 39 per cent of the market; Canon, 17 per cent; Infotec, 10 per cent; and Panasonic, 10 per cent.

Methods of distribution have also changed. Five or six years ago, most sales in the UK were made directly by a manufacturer's own sales force. Now it is dealers who handle the majority of sales, claims NBES. In 1986, sales were divided roughly fifty-fifty between dealers and manufacturers. In 1987 dealers accounted for 62 per cent of fax sales.

At one time, fax was very much a "big business purchase" — now the technology is within the reach of even the smallest company. Consequently, manufacturers had encouraged dealers to enter the market. NBES also predicts that, as prices plummet, the high street multiples will play an increasingly important role.

One of the major growth areas is in the low-cost machine. Typically priced under £1,000, these machines feature sophisticated functions, such as automatic dialling, sequential broadcasting (sending the same message automatically to several recipients) and polling (a facility whereby a terminal calls other machines to receive awaited messages).

Prices are continuing to fall. In April, British Telecom introduced the first sub £1,000 model, the CF9, priced at £995. Following hard on the heels of this announcement, Fulton Communications introduced the Telefmage, also priced at £995. Betacom has gone one better and launched a machine for £799, excluding VAT.

Reducing costs on these machines has meant cutting some of the facilities, such as an automatic guillotine. This facility is not essential if users tend to receive only one or two-page documents, but it does become a nuisance if you are sent a ten-page document and it is received as a continuous roll of paper.

There is considerable activity at both ends of the market, with many companies introducing sophisticated memory machines. These instruments can store documents in background mode, allowing the terminal to send or receive documents while text is in the memory. They are a boon if you want to send the same information to many different addresses, since the facility removes the need to refeed the document constantly. Memory capacity varies from 20 to 1,000 pages.

Fax memory cannot be used as permanent data storage, because once the document has been transmitted, it is automatically deleted. By the same token, when the memory is full, if the user enters another page, the first document loaded will be deleted.

What a memory fax generally cannot do is store an incoming message — unless there is a special mailbox facility provided, which allows users to access documents by keying in their own special code.

Fax networking is also becoming increasingly popular. This entails linking several machines from the same manufacturer, based around the sophisticated memory machine. In this way, non-memory machines attached to the network can share some of the facilities of the memory machines. It also allows users to benefit from the proprietary features, such as error correction and fast modes. The network is not distance-sensitive — it could, for example, be in one office block or dotted around the country.

Facsimile, for all its sophistication, is still limited by the quality of the telephone-line transmission. If there is a lot of noise on the line, then blocks of text may become illegible. Several companies have launched error-correction machines, which transmit data in "packets" of a predetermined size.

If the receiving machine receives a packet that is not of the correct length, then it realises that there is noise on the line and asks the machine to retransmit.

Most of error-correction systems are proprietary models and therefore only work with machines of the same manufacturer, and, in some cases, the same model number.

However, the CCITT (the International Consultative Committee for Telephones and Telegraphs) has established an error-correction standard that will work between machines of different manufacturers. So far, Panasonic is the only company to introduce a model with this facility. This feature will come into its own only when most machines have such a capability and all the machines currently on sale would not be able to make use of the facility.

PC-fax systems have great potential

The integration of facsimile with computers is the next major step forward, and there are a number of ways this can be achieved. The most popular appears to be PC-fax boards which plug into personal computers.

At present, there are only two models on the market, the pioneer system, Gammalink from Comwave and the C-Fax from Communicate, which is also distributed by Interscan and Muirhead and priced in the region of £1,000. These machines turn a PC into a sophisticated fax machine featuring a large memory for storing documents, auto-dialling facilities, polling and so on — dialling takes place on the computer keyboard.

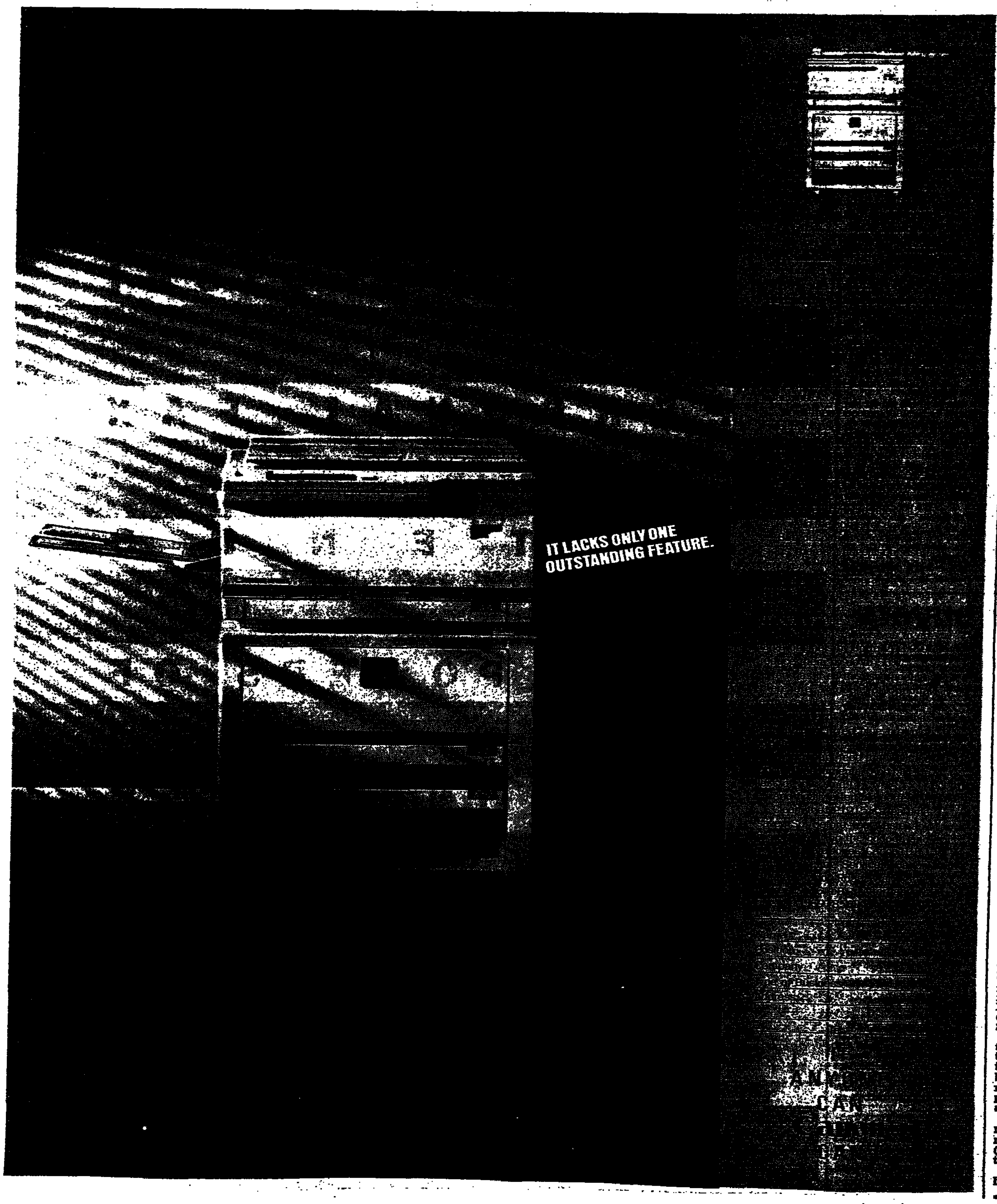
Both these boards work in background mode, allowing the computer operator to continue working whilst receiving documents.

The UK market for PC-fax is at present very small, numbering around 2,000. However, according to Oliver Tucker, sales and marketing manager of Communicate, "the market is shortly to be blown wide open." The group plans to launch a plug-in board for IBM machines or compatible models that will provide the computer with four facsimile transmission facilities to group three standards, for under £200.

The card is a send-only device, but a simple upgrade path provides send-and-receive capability, and additional communication facilities, which, claim the company, turns a PC into a top-of-the-range facsimile machine.

Jonathan Moggridge

The author is Editor of Times of Communication magazine.



Highly competitive sector

AFTER the US and Japan, the UK is the third largest market for fax in the world. There are now around 35 different suppliers of fax equipment in Britain alone, where the installed base is expected to rise to well over 300,000 by the end of the year.

Worldwide there are around 5m fax-users and few industry watchers would be surprised if this doubled by 1990.

There are already at least 130 models available in this highly competitive sector — "fax is a high-discount market," says the consumer magazine, 'What to Buy For Business' — "most dealers operate on margins of at least 35%, and often more than that — and almost all can afford to knock large amounts off their machine prices of it's the only way of getting your business." Meanwhile, fax machines are becoming more packed with features and added capabilities.

☐ Among the 'best-buys' recommended by WTB for non-memory fax machines, (ranging in price from £950 to £1,950) are:*

The compact, semi-portable Interscan F20 (the Nashua F810); the well-designed Sharp FO-150; Panasonic UF-150 (Interscan Panafax UF-150); British Telecom A1700; the Interscan ImageMate; British Telecom AD200 (Panasonic UF-250; Interscan Panafax UF-250); Infotec 6152.

Thirty-five other machines are listed in the "good value" and "worth-a-look" categories.

☐ Recommended "best-buys" in the WTB report (available from 11, Kings Road, London, SW3 4RP) for memory-based fax machines, which range in price from £1,875 to £3,150, include: the Canon Fax 410 — "a budget memory model"; Interscan Image-Master (Nashua F730) — "a proven work-horse"; Canon Fax-730 (Olivetti FLM910) — "outstanding value"; Harris/3M, with high-specification auto-dialler and programmed transmission.

In all, 16 other memory-based machines are listed in the "good value" and "worth-a-look" categories.

**Some machines are sold under more than one brand name.*

M.W.

New generation telephone equipment

Increase in competition seen as costs fall

THE UK telecommunications market has become exceedingly competitive since liberalisation, with large numbers of companies jumping in to take advantage of what they saw as a potential goldmine.

The fact of the matter was that sales did not leap overnight. Users did not instantly change their systems so there were not the fortunes to be made. Nevertheless, the competition spawned a growing awareness of the advances in telecommunications — and the commercial benefits that would accrue from the effective use of modern technology — as well as a range of competitive systems each with a list of features that the manufacturer hoped would enable him to obtain a competitive edge.

We are being regularly regaled with the benefits that will result from ISDN, the integrated services digital network. Even though introduction will start shortly, it will be a year or two before it will be widely available.

Nevertheless, Star services, available on BT's digital exchanges are some of the most tangible benefits of network modernisation. They enable customers with individual lines to enjoy facilities only normally available on the most sophisticated PABX. For example, subscribers will be able to divert calls, have call-barring, have three-way conferencing, and repeat the last number dialled.

However, it should be noted that the falling cost of electronics has resulted in lower end-user prices for telephone instruments. A basic business telephone with about ten memories to store frequently used numbers will only cost around £30.

Even incorporating a hundred memories, hands-free operation and a display which shows the number being dialled and times the duration of the call is only fractionally more than £100. This means that an increasing amount of power can be placed at a user's fingertips.

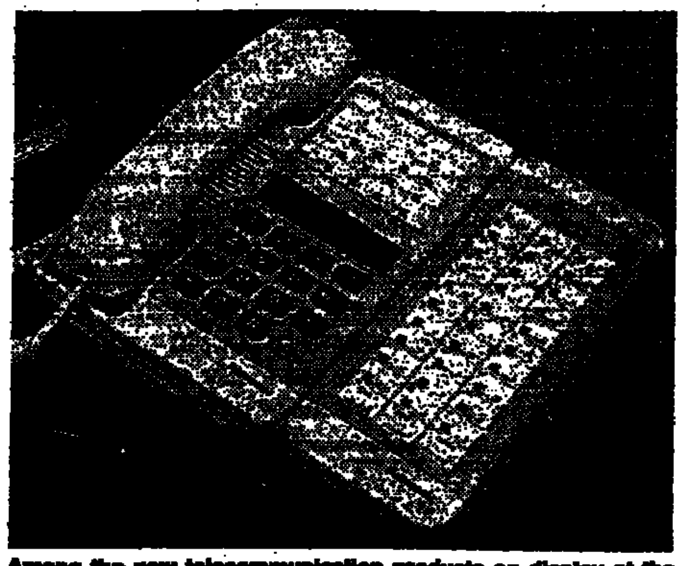
Already, however, the latest PABXs employ digital technology. Benefits of this new include reliability, space and power-saving and the ability to provide a migration path to future services.

Features offered by a modern digital PABX include call forwarding, call divert and conference calls. The market leader in the UK is the ISDX system from GPT (GEC Plessey Telecommunications). It is claimed to have captured around 70 per cent of the UK market.

A private network built up using these PABXs is able to support its features across the whole network as well as providing a uniform number plan so that it is no longer necessary to look-up tie-line and site codes prior to making a call.

Networks generally consist of separate PABXs at each site with interconnecting links. Today, with 30-channel links and ISDN-compatible switches such a network will take the form of a private ISDN so enabling an organisation to take advantage of it before ISDN is available in the public network.

Mr Mike Hart, group marketing manager, telecoms, at Philips Business Systems, points out that it is important to purchasers of digital PABXs that during the installed life of a PABX, as digital services become available with ISDN, and as digital terminal prices fall, a simple digital-for-analogue card replacement must be possible. This will obviate the high cost of major re-engineering or system changing and ensure that the cost of migration to the benefits of ISDN is low.



Among the new telecommunication products on display at the International Business Show in London next week, will be this executive telephone. Part of the Panasonic A-series, this model has a built-in direct station selection console.

Large organisations, such as the banks and insurance companies, have telephone networks linking their various offices. These include offices employing thousands of people down to small branches with half a dozen or so staff.

Major companies, such as Philips, which supply complete systems to these organisations are fully aware of the need for switches to interwork. For example, the Sopho-S50 and S100 are digital PABXs designed for the smaller business. The former has a capacity from between 8 to 48 extensions while the latter supports up to 96. Not only they provide this upgrade path, they can interwork with other PABXs.

At present, even though such exchanges are digital, the majority of extensions are analogue.

As and when demand occurs, as referred to above by Mike Hart, it will be a simple task to change the line cards to enable digital instruments to be connected. This can be done on a piecemeal basis with digital terminals only being installed where needed.

Norton Telecommunications, the third largest UK supplier of keysystems and PABXs, is the UK division of the multi-million pound Siemens organisation. According to its group product manager, Mr Andrew Knott, many of the UK companies adopt a parochial approach where their only commitment is to UK standards and are not really looking to the future.

"As the European open market emerges, companies must start to communicate on a European level . . . what we must do is to help secure today's benefits, but keep an eye on Europe as we must also offer UK companies a path to European communications. It's all a question of being able to deal with today's issues, but be prepared for tomorrow's opportunities."

While this is absolutely correct, it must be borne in mind that the telephone network has been developed on the basis that any telephone can connect with any other telephone in any other part of the world. Obviously, this is at the lowest common denominator level of plain voice with very few enhanced features. But even there, developments are afoot.

GPT Telecommunications Systems is about to launch a telephone system with an integral fire/burglar alarm security unit.

The first in a range of "Lifestyle" products the GPT 4 Tel Plus unit consists of a four-way telephone system from a single line with an intercom facility. It is compatible with standard phones, facsimile machines and answering machines.

It is also a self-contained security system for fire or theft. An automatic dial alert call a predetermined number and, when answered, its simulated voice repeats the alert message three times. The 4 Tel Plus has application in the home — and especially for the office in the home — or even the small business.

There are a number of single line miniature PABXs on the market because they are exempt from the having a pre-connection inspection (PCI) prior to connection to the public telephone line. Thus, they can be installed on a DIY basis.

National Telephone Systems is a company offering a range of PABXs starting with the London 8. This is of modular design for maximum flexibility. Its motherboard contains all common user and switching functions with eight ports, designated as extensions or exchange lines, housed on plug-in daughter boards. Thus, the desired configuration is achieved by the addition of the appropriate extension or exchange line cards. This can range from a system with one line and seven extensions through to one with four lines and four extensions.

Such a system which has wide range of features including call diversion, ring-back when free, and conferencing is one of a number of small modern PABXs which provide cost-effective communications for the smaller business.

The company offers a range of systems with up to 128 ports as well as specialised configurations such as for hotels.

There are many other suppliers offering key-systems and PABXs.

In choosing the right equipment, the trick is to know how your own company is going to grow so as to be able to select the most appropriate system to meet future needs.

Adrian Morant

ELECTRONIC MAIL

Sorting out the confusion

ONE OF the main problems with electronic mail is that it is misunderstood — people think of paper-based mail and immediately expect e-mail, as it is called, to be an electronic version of the same thing. It isn't — or at least it isn't yet and will not be for many years to come.

The difference between paper-based mail and e-mail is that one is delivered to your door, while the other has to be collected from a mailbox; one is paid for entirely by the sender, while the other costs money to receive.

Until electronic mail can be delivered directly and free of charge to the receiver, it will never be accepted by the domestic market. But its a different matter in the business world, where the receiver is usually as keen to receive as the sender is to send.

A classic example is Electronic Data Interchange (EDI) — a form of electronic messaging that is growing fast. The main difference between EDI and e-mail in general is that EDI is strictly between consenting adults.

A classic example is the way in which Marks and Spencer uses ICL's Tradernet for stock orders from its suppliers. But for general e-mail, there is currently a difference between inter-company and intra-company e-mail.

The benefits of intra-company e-mail cannot be questioned. More and more companies are installing internal networks, and these networks are being used to carry e-mail throughout the organisation. With some of the larger companies, the networks are actually international, and the effect is that user-'A' can send a message to a user-'B' without even knowing (or caring) where B actually resides.

But intra-company e-mail is in a closed and controlled environment. Individual users are not concerned with the cost of their messages. The network manager has control over the system, and can ensure that hardware and software will notify the recipient that he has mail awaiting him. Thus, when user-B switches on his terminal, even if it is only to record stock changes, he is automatically notified that mail has been delivered to his mailbox.

Alternatively, the network manager can design the system so that A's message is automatically printed at B's nearest printer, attached to the network ready for delivery by the internal messenger system.

This is a completely different world to that known to the majority of small companies with a number of individual stand-alone PCs. Here e-mail is by necessity inter-company e-mail. If another company sends a message to me via Telecom Gold or One-to-One, then I have to pay for the privilege of receiving it. I have to pay One-to-One or Telecom Gold for the privilege of having a mailbox, and I have to pay British Telecom the line charges involved in accessing and reading the mail.

Its like the early days of paper post; every time I see the mailman I want to run and hide just in case he has something for me. This situation is unlikely to change for many years. Unless the sender is able to connect directly to the receiver's PC, via the telephone, then the receiver will always be involved in costs — and this will inhibit the growth of e-mail.

The situation is not, of course, so difficult between two different large companies. Big organisations are likely to have their own networks, or at least their own PABXs, and it is increasingly possible to get from one network to another 'transparently.' All that is necessary here is that the sender is able to attach to the receiver by direct-leased or PSTN line, that both networks are compatible, and that the receiver has application software able to read the electronic message. And this is the exception rather than the norm.

This brings us fairly and squarely into the problematic area of standards — and the good thing about standards, as we all know, is that there are plenty to choose from. Rod Matthews from ICL is one of the UK's experts on standards — he sits on both the European SPAG (Standards Promotion and Application Group) and US COS (Corporation for Open Systems) board of directors.

"E-mail will never really take off," he believes, "until there is a sufficient infrastructure — and that won't happen until we have universal standards."

"The standard to watch, he says, is X400/88 — "the problem today," he explains, "is that most mail systems are vendor proprietary with vendor defined and controlled interfaces. X400 is essential to allow different products to interconnect, — and this is essential if e-mail is to be at all useful on a large scale."

But he believes that Europe is caught in a cleft stick — "we need a publicly-defined standard to enable all the different European machines and PSTNs to operate in harmony. But we cannot use this as a form of invisible trade barrier to protect ourselves from the Americans and Japanese."

Apart from the dubious ethics, it wouldn't work — "If we have public standards that don't include the Americans and Japanese, it would simply allow them to design systems that have our standards in our markets, but keep their own — as a barrier to us — in their own domestic markets."

It is for this reason that Mr Matthews works so hard to develop truly international standards. Not only does he bridge SPAG and COS, he is also working to ensure that the Japanese POSI (Promoting Conference for OSI) joins in.

"If we can get the Japanese manufacturers to agree to specified standards, then we have a political weapon to keep them to those standards."

Steve Dooley, a director of the communications consultancy, Level-7, is equally convinced that the future of e-mail is tied to the future of X400 — "the 1988 recommendations," he says, "include inter-networking with physical delivery agencies, such as couriers and the postal services, and provide the ability to carry geographical addressing information with the message.

"In this case, a user may be assigned to a physical delivery station where the message is printed and subsequently delivered through the postal service to the recipient.

"X400 gives fast, error-checked, multi-destination delivery on a store and forward basis. It is a truly open system which can be, and is being, built into a worldwide network and, rather than fixing the type of equipment and user —interface which is provided to the end-user, it defines a set of services on which the vendors of the terminal equipment can build."

But we should not expect it to happen quickly — "It does not follow that X400 products and services will be established overnight. While it is to be expected that, particularly in Europe, public services and products will be in reasonably general use by the end of the decade, we would not foresee the use throughout the world generally until well into the 1990s."

Kevin Townsend

WORD PROCESSING EQUIPMENT

A marketplace in transition

THE MARKET for dedicated word processing equipment is in decline, yet considering the success of the Amstrad word processor over the last few years, and considering that Philips has just launched a new range of word processors, this may seem a rather strange statement.

But it is not that there is no specialist WP market – it is just that it is very limited, and much smaller than it appeared to be even just a few years ago.

The argument in favour of using a dedicated system is simple: if you have dedicated typists, then they deserve a dedicated machine. If you ask your employees to sit front of a screen all day and every day, then they deserve a system that has been ergonomically designed for efficiency and comfort.

This argument is very persuasive - at first, it seems perfectly reasonable. But it contains an element of false logic. The standard QWERTY keyboard (and the slight national variations, such as AZERTY) used by almost all professional typists, was originally designed not for comfort or speed, but for difficulty.

The basic keyboard design is intended to slow down the typist (because most typists could easily type faster than the maximum speed possible through slow mechanical keyboards); so, given this inherent impediment, one must ask how serious is the requirement – for specialised word processing design.

The case is further weakened by the not unexpected attitude of almost all PC manufacturers to build basic ergonomic design features (tilt and swivel display screens, anti-glare qualitities, adjustable and detached keyboards and so on) into even the least expensive of the standard PCs.

It is indeed questionable whether there would be a specialist WP market at all if Apple had popularised the microcomputer, just a few years earlier.

Most businessmen in Europe began to hear of the "word processor" as if it were a completely different office machine round about the mid-1970s. VDU screens were just becoming available, the floppy disk had liberated typing systems from the limitations of magnetic cards and/or internal memory, and the high quality daisywheel printer had been developed.

The software itself was usually an extension of the operating system editor supplied by the manufacturer. Put all of these elements together and the result was a "word processor" - something altogether different to a computer, and certainly something far removed from things as operating systems (each one had its own operating system which the user never came across).

But then Gary Kildall developed and marketed the first non-proprietary disk-based operating system (CP/M) and prepared the way for the boom in microcomputers. Hundreds of different companies started to manufacture their own micros. And provided they supported CP/M, they could all run the same software. This created a large market for software development – and suddenly microcomputer application software began to appear.

The first two great success stories were the VisiCalc spreadsheet and the WordStar word processing package. VisiCalc has come and gone but WordStar (now in its fifth reincarnation as WordStar professional 5) goes on and on.

WordStar, in particular, and microcomputer Wp application software in general, has done more than anything else to erode the specialist WP hardware market. But it is not that companies are simply buying their typists a PC and giving them WordStar what has happened is a complete change in office culture.

'The argument in favour of using a dedicated word processing system is simple and very persuasive — it seems perfectly reasonable. But it contains an element of false logic.'

Not to put too fine a point on matters, middle managers, whether male or female, who would never dream of touching a typewriter or a word processor, are now perfectly happy to use a computer with WP software. The result of this is that authors are starting to do more and more of their own typing.

The old process of long-hand drafting, direct dictation and/or audio dictation still persists, but is a diminishing feature of office life.

But there is another movement in office equipment hardware that also spells the end of separate pieces of equipment - it is hardware integration.

We have, and will continue to have for many years yet, different pieces of equipment for different functions. But this is more to do with the inability of hardware and software to cope with everything than it is to do with users' preference.

So, at the moment we have a xerographic office printer that is separate from the xerographic office copier; and a scanner that is separate from the office facsimile machine. In the future, all of these functions will combine within a single machine.

Similarly, we currently have a general purpose PC that is able to function as a word processor and a CAD system; we have a specialist word processor that can also run general purpose software applications; and we have a specialist CAD workstation that can double as a stand-alone office computer.

But the next generation of microprocessors will be sufficiently powerful and sufficiently inexpensive to drive a single system fully able to perform all and more of the required functions.

Clearly, the current situation is an inefficient use of resources. A few years ago, DEC marketed its product range as "horses for courses." The professional manager required a VAXmate personal computer; the professional scientist, researcher or designer required a VAXstation or MicroVAX; and the professional typist required a DECmate word processor. This works well enough within DEC's existing user base, but it is a relatively rare occurrence for DECmates to sell outside of the user base.

The reason is simple. Buyers cannot be certain that the proprietary WP hardware will interface suitably with their other hardware.

Similarly, European buyers have an in-built inhibition against buying a product that has limited capabilities - in general, specialist WP can only perform word processing, while a personal computer can doJust about anything.

With this in mind, it is worth looking at a two of the more recent WP launches: Canon's WP200 System and Philips' NMS 9110. The Philips word processor includes MS-Dos, an IBM XT-compatible keyboard, an IBM colour display compatible screen, an 8088 processor and the Philips word processing software.

One would be hard pushed to see any effective hardware difference between this specification and that of an out-of-date IBM PC XT. The new Canon wordprocessor "is based on the A200 personal computer and WordPerfect software from Sentinel. The Canon A200 personal computer is fully IBM PC-compatible with a basic 256 kbytes memory..."

In short, even where manufacturers are developing new word processing systems, there is very little that will distinguish them from standard PCs.

The only real conclusion is that the best thing to do is choose the word processing software package that best suits individual needs, and then look for the best possible hardware on which to run it.

And when the available PC software has features that include on-line spelling correction (with suggestions for the correct spelling which include phonetic near-misses), on-line thesaurus, the ability to search multiple files for text strings and copy specified text directly from one file to another, plus screen-based mathematics, in-built electronic mail communications facilities, a mail-list manager and a full-page and multiple-page preview facility (all of which can be found in WordStar 5) - do you really need anything else?

Kevin Townsend

Developments in dictating and voice messaging

Towards a digital era

UP TO £450m a year is being poured down the collective corporate drain in the UK simply because senior executives still work in the dark ages when it comes to text generation.

The figure is based on the Post Office estimate that of the 51m letters handled in 1987, 45.9m were business letters.

Earlier this year, the Dartnell Corporation in the US, found that it costs $9.89 to generate the average 180-word business letter by traditional shorthand and typing methods; $7.67 if a dictating machine is used. That includes costs such as salaries, overheads and cost of interruptions (higher than the UK), materials, postage and mailroom (lower than the UK).

However, looking at research results supplied by companies such as Philips and Dictaphone, one discovers extra elements of cost not accounted for by Dartnell. One is that the majority of letters in the UK are composed using longhand (averaging 10 words/minute), either with the executive writing it out or the secretary taking it down in longhand.

Another factor is that it actually takes longer to transcribe and type a shorthand letter (15 words/min average) than a taped letter (25 words/min).

So, adding all the research findings into a composite cost equation and summing an average salary of £10,000 for a senior secretary and a conservative £20,000 for an executive, one finds that the total cost of generating a letter is £13.54 by executive dictating/ secretarial longhand; £10.48 by longhand note; £7.56 by shorthand dictating; and £3.08 by dictating machine.

It is strange to note that organisations in the UK adopted word processing and PC technology quicker than in any other country in Europe, but still lags behind when it comes to text composition.

As Roger Fuller of Sony (UK) commented: "It's like walking backwards to the airport and then flying Concorde across the Atlantic."

Be that as it may, a survey called "Secretaries and I.T." published recently by Lotus Development (UK), in association with Manpower, reveals that, where secretaries have adopted word processing techniques and saved time as a result, there has been a resurgence of traditional support tasks such as taking messages, welcoming visitors, administration, personal organisation for the boss and making coffee.

Thus, it would appear to be in the executive's own interest to embrace dictation systems with a little more enthusiasm, particularly since the potential for time-saving is equally as great is not greater than that offered by PCs and word processors.

According to Philips, the value of the dictating machine market worldwide was $618m, with 1.54m machines installed, which was 3% up on the previous year. However, the company believes that the potential in its core target market (Germany, Austria, UK and the Netherlands) is in the region of 1.65m units, that is 25% of an estimated 7.15m executives. As it stands at the moment, though, while portable sales are reasonably healthy desktop and centralised dictating still suffers from a rather lack lustre image.

Indeed, few executives think of them as time- saving tools. Part of the problem is lack of up to date equipment in UK secretarial training colleges, which means secretaries are not always equipped with the skills demanded in the electronic office.

Sony's contribution to this is sponsorship of the Top Secretary Award in association with the London Chamber of Commerce, with this year's winners due to be announced on 15 November.

Paul Jennings, Dictaphone's marketing director and the chairman of the BEITA dictation equipment division, conceded that complicated access routines were much to blame but that digital technology will prove to be the missing link – "digital technology is to dictating what word processing was to typing; and I think it will spur companies to take another look at dictating.

"Whereas with centralised systems you used to have to enter lots of codes before you proceeded, all you have to do with a digital system is press one key and you can start dictating immediately."

Being disk-based, as Dictaphone's new Digital Express is, it also provides random access to voice data as well as instant edit facilities whereby words or sentences can be added or deleted at will anywhere in the recording.

Digital technology offers other advantages, too, as Paul Jennings pointed out: "It allows basic voice messaging to be added whereby authors are allocated a voice mail box which stores their messages until they phone in to retrieve them. In other words, it becomes a communications tool."

Interestingly, the Lotus-Manpower survey reveals that telephone answering/messaging was second only to electronic filing as the most desired facility currently lacking in the secretarial office. Of course, as Richard Nixon and some insider dealers in the City of London have found to their cost, when all conversations are recorded, your words can come back to haunt you.

But assuming your business is legitimate, there is no question that telephone answering is a boon for mobile executives, small offices and small businesses, if for no other reason than that it means no important business call need go unanswered.

Voice messaging would appear to be the way forward for larger organisations. Already well-established in the US, a voice messaging system is, in essence, a sophisticated telephone answering machine that can be networked on PABXs thereby allowing all extension users access to the facilities.

The market researchers, Frost & Sullivan see a large potential market for voice messaging in Europe. Estimated to be worth $20m in 1985, annual revenues are expected to be in the region of $223 by 1994.

Because it is digital, access to any one message can be obtained in milliseconds and, just as it is possible for several word processor operators to access different documents within one electronic file simultaneously, so it is possible to access different voice messages simultaneously.

For that reason, National Telephone Systems believes that voice messaging will become a major growth market in the mail order industry.

Instead of one clerk replaying a tape of orders phoned in over a weekend and taking all day to process them, several order clerks could work in parallel, 'peeling' each order off the disk as they go.

In the US, they are moving even further towards new technology with voice-activated telephony, a special type of voice messaging which uses voice recognition to direct phone calls to the correct user.

Julie Harnett

In use: the latest executive portable dictation machine from Sony: the BM-580.

TYPEWRITERS

How to turn a paper tiger into a real one

THE MOST surprising thing about typewriters is that they still exist. Most commentators expected the lowly office typewriter to be killed off long ago by the inexpensive word processor and/or PC-clone.

But still they continue – and it is worth asking why, and for how long. Barry Bruce of Hermes Precisa has few doubts. "They are inherently simpler to understand, use and maintain than desktop computers. Users have no fear of machine failure – and certainly no risk of head crashes or data-loss. A typewriter represents a single-purchase item to be installed and maintained (not four – that is, a computer, software, printer and cables). And it occupies less desk space.

"But most important of all, there is still no quicker nor simpler way to produce a straightforward letter or memo, or to address an envelope."

The success of the modern typewriter, however, cannot be explained simply by the convenience factor. Today's electronic typewriters bear little resemblance to their mechanical, electro-mechanical and even fully electric predecessors.

Manufacturers have now completely adopted the microprocessor so that the only remaining moving parts are the keys, the print head, and the drive that moves it.

As a result, costs have fallen and reliability has risen - to such an extent that if any repairs do become necessary it involves nothing more than the swift replacement of a component part.

One of the main reasons for the continuing success of the typewriter, according to Mr Bruce, is the actual rather than advertised cost of a word processor.

The success of the modern typewriter cannot be explained simply be the 'convenience factor.'

"For example," he explains, "an Amstrad PC-1512 can be bought for around £500 from a high street retailer. But decent WP software is going to cost a further £250, and even the most basic printer will cost another £250. Total: £1,000.

"For less than this sum, buyers can purchase a top range electronic typewriter such as the Hermes model 52, which has built-in memory able to store a full eight pages of standard paragraphs, offers on-line storage through an interface to a floppy disk drive, and has all the functionality that typists and secretaries demand," he says.

All the features, such as automatic centring between margins or around a point, justification, correction on paper as well as in display, emboldening and underlining, are invoked with a single keystroke, he adds.

There is yet another advantage: the £1,000 described by Mr Bruce buys the computer system alone, which still leaves the user without training or support.

"It is a long-standing practice of office equipment suppliers," adds Mr Bruce, "to install typewriters at a user's premises and provide initial training to the operator. For so long as dealer-margins on a £1,000 typewriter remain higher than the equivalent micro package – which is likely – there is no reason why this should not continue."

One of Europe's major typewriter suppliers is the Japanese company Brother – the market leader in portable typewriters with an average of 25% to 30% of the market throughout Europe. Mike Brownbridge, European marketing manager of Brother, says that "the overall typewriter market is not really growing by more than a couple of percentage points. But we split this market into four categories: portables (with a platen width giving a writing line of a maximum of 12"); compacts, (with a writing line of between 12" and 15"); office typewriters, (with a writing line of more than 15"); and screen-based typewriters.

The market for standard office typewriters, adds Brother's Mr Brownbridge, "is actually declining right across Europe. Compacts and screen-based typewriters are growing at about 4%; but the market for the small portables is growing at about 50% per year."

And it is important to note that this is no small market: in the UK alone it is worth approximately 500,000 units. Of these, about 360,000 units (and rising) are electronic typewriters, while 140,000 (and falling) are of the electromechanical variety.

But, what are the threats to the typewriter market? What about Amstrad? "The Amstrad 'problem' has been overplayed," says Mr Brownbridge. "What Amstrad has done has been to encourage and stimulate the overall growth in the low-cost typing machine market; but it hasn't really taken any sales away from Brother."

How about the EC anti-dumping regulations? "Now that really was a problem," he says, "Overnight it added 20% to our costs. But we see and saw it as political manoeuvring rather than a genuine complaint.

"What it made us do was bring a manufacturing plant to Wales – which meant that we could now compete on fair terms without the additional transport costs involved in bringing heavy equipment from Japan to Europe."

It has not, however, been plain sailing for all the Japanese companies. Some companies established plants that did little more than assemble Japanese-built kits: the screwdriver companies. Several such companies were investigated by the EC towards the end of last year and earlier this year – and the case was found proven.

"The result on these companies," says Mr Brownbridge, "including Panasonic and Sharp, was drastic new levies. TEC has even pulled out of typewriters. But it has had no effect on Brother, because we really are a European manufacturer, with about 60% of our components being sourced on European companies.

"So, the only real effect of the EC anti-dumping regulations has been to turn a paper tiger into a real tiger. The European manufacturers who could not compete against our prices when they included trans-global transport costs now have to compete with prices that need only include cross-Channel costs." And one could add to that the EC anti-dumping regulations have brought jobs to Europe, but sent profits to Japan.

Kevin Townsend

The cost of producing a letter

THE AVERAGE cost of producing a letter in UK offices, using screen-based technology and high-speed printers, is around £13, according to Sony, a leading manufacturer of dictation equipment and other business systems.

The formula used to arrive at this figure assumes that the average salary of a secretary is £10,000 a year, while the average letter is estimated to be 180 words, typed at a speed of 75 words a minute.

Five minutes is allowed for equipment set-up; the time taken to type the average letter is calculated at 7.4 minutes, giving a basic cost of £6.31, but this figure is doubled to allow for the cost of overheads, giving a final figure of £12.62p.

"For correspondence, dictation is the most efficient way of inputting information – you speak seven times faster than you write," says Roger Fuller, sales manager of Sony's information products division in the UK.

Cost-savings of 30 per cent can be made using dictation equipment as opposed to traditional shorthand methods, he says.

Estimates from other sources (see article on dictation on the facing page) put the cost of generating a letter at £13.54, assuming the average salary of a senior secretary is £10,000 and a conservative salary of £20,000 for an executive.

Other manufacturers in the dictation equipment sector include Grundig, Dictaphone, Sanyo, Panasonic, Philips Business Systems, Olympia Business Machines, Harris-Lanier, Hill International, Decimo and Olympus.

Michael Wiltshire

Shake-ups in the office furniture industry

The year of the takeover

A BOOM in sales and an unprecedented rash of takeovers are combining to make this a year to remember for the office furniture industry.

"The UK is leading the way in terms of acquisitions and corporate restructuring within the industry," says one market analyst. "There is evidence that a rather fragmented industry is becoming much more professional."

Much of the confidence which is fuelling this activity has come from the fast-growing 'systems furniture' sector.

The rise in flexible systems has been tracked for the last three years by the National Business Equipment Survey.* The latest review shows the highest-ever number of UK systems companies reporting a rise in profits (68%). The proportion reporting a downturn in profits has fallen from 25% in 1986 to 4% this year. Rising sales and the need to prepare for new market conditions in Europe after 1992 have pushed more companies into taking a longer-term view than is customary among some suppliers in this sector.

Leading companies which are serious about facing up to the challenge of Europe are already well on the way to positioning themselves in the sector. In particular, a number of French office furniture concerns have been acquired by British companies.

Manufacturers are gearing-up for a wider European market. For example, Bisley Office Equipment, a privately-owned specialist in steel office storage equipment, based in Surrey, is to spend £14m on a new plant in Newport, Wales, to meet expected rising demand after 1992.

Scandivian producers are becoming even more export-orientated. Kinnarps, for example, which now claims to be the largest manufacturer of office furniture in Scandinavia, exports 30 per cent of its production. Britain is the company's fastest-growing export market - turnover at Kinnarps (UK) was almost £10m last year and has increased ten-fold in the last five years.

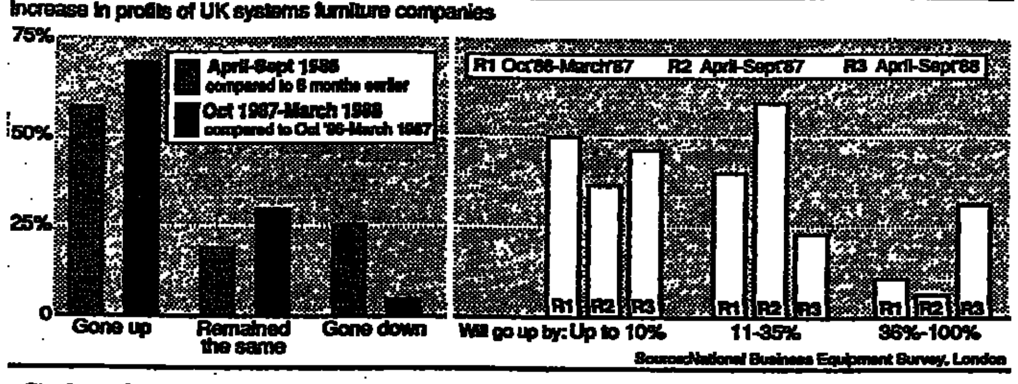
In July, Arenson of the UK, manufacturers of the well-known President furniture range, was acquired by the Danish conglomerate, Scandinavisk which has a large manufacturing division for office furniture.

Scandinavisk's policy is to acquire leading companies in each major country of Europe in preparation for 1992 and beyond.

Herman Miller, the systems furniture pioneer, now has a worldwide turnover of nearly $500m. The group has made significant investment in the UK and France, with warehousing, showrooms and dealers throughout Northern Europe. Miller says that it also intends to manufacture in Japan.

Profit changes and forecasts

Increase in profits of UK systems furniture companies



Source: National Business Equipment Survey, London

Steelcase has been acquiring design companies and has now set up the Steelcase Design Partnership.

Meanwhile, Haworth, another leading American furniture-maker, for long expected to enter the UK market, finally arrived with the purchase of the Comforto seating division of Vickers. Haworth of Michigan is the world's third largest suppliers of systems furniture.

Flexiform, a Leeds company formed in 1980 in a management buy-out, is developing a new £5m plant at Thornbury. The company's projected sales turnover for 1988-89 is $20m.

Kimball Europe, based at Nottingham, has made a three-fold expansion of its manufacturing plant in the last year along. The company has recently supplied 200 workstations for a major City installation.

Among those companies most prominent on the acquisition trail is the UK manufacturer, Gordon Russell, which bought Isoplan in 1987 and recently purchased G.A.Harvey, a long-established manufacturer.

Gordon Russell's chief executive, Mr Chester Wedgewood, commenting on the development, said: "We are going to make a major thrust into three systems market in all three areas: low, medium and high."

Mr Mike Brewster, international sales director for Westinghouse in Britain, anticipates that his company will be making a key acquisition in the UK next month. Westinghouse is also looking for acquisitions and joint venture operations in the Middle East and Japan.

Among the recent changes has been the purchase of Evertaut Seating by Wassall. The acquisition was negotiated last month by Mr Christopher Miller, the new chief executive, for £11m.

In another development at Vickers Furniture, a management buy-out team, led by Mr Bob Denton, chief executive, has been successful in securing the furniture division, plus its operations in Ireland and France.

The clear message from all this activity is that global alignment in this sector is well under way, says Jean Davis, a market analyst. The industry expectation is that the trend towards buy-outs will continue, with business growth founded on buying turnover.

Meanwhile Bullough, parent company of Project, which claims to be the UK's largest office furniture manufacturer with sales of more than £38m last year, bought itself into the French market with the acquisition of Atal, which roughly the same size as Project in the UK. (Bullough already has a presence in continental Europe through its Belgian-based division, Reznor).

"The underlying trend in the UK market is strong," says Charles Mason, managing director of Project. "The trend is towards buying more sophisticated desking systems to cope with information technology services – cables, connectors and so on. This, in turn, increases the value of each furniture unit sold."

The continued strength of the UK market is reflected in the performance of Pentos Office Furniture, part of the group responsible for the Asher and Caplan ranges. Figures this month show Pentos profits were 45% higher in the half of the year than in the same period in 1987. Turnover increased from £8.8m to $12.8m.

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OFFICE EQUIPMENT 8

'Telecommuting' from an office at home

A new way of working

UNTIL JUST a few years ago, the idea of working from home evoked sad images of outworkers in the clothing industry or the sweated labour of the homeworker, typing envelopes by the thousand. This image lingers, despite the fact that a growing number of management, professional and entrepreneurial people are taking advantage of the developments in technology which allow them to operate effectively from afar.

The FI Group (until recently, known as F International) and ICL, the British computer manufacturers, are not new to this pattern of work. They have, respectively, 26 and 19 years of experience of it — they sponsored Francis Kinsman to research his book, *The Telecommuters*, (published last year) because they believe that "telecommuting" is not just a curiosity but the precursor to a new way of working.

Furthermore, at last month's, British Telecom/CBI conference, "Tomorrow's workplace: harnessing the challenge of teleworking," the results of a recent survey carried out by the Henley Centre for Forecasting indicated that more than 4m people will be working from home by 1995.

In fact, all sorts of people already have an office in their home — they range from the salesman who, without going into his office, needs to send memos to the office and quotations to his customers; or the busy executive who needs to have his study where he can finish paperwork tasks at the weekend; or the entrepreneur who runs his entire business from home.

While their needs may differ widely, one fact that they have in common is that they are "on their own" should anything go wrong with equipment in their home office. Such users do not have a spare photocopier or facsimile machine; or if a computer bug strikes, they have to find their own way out of the problem.

The underlying factor is that all this business technology is just a means to an end — and not an end to itself. Thus, the aim should be to employ reliable, standardised equipment.

The reason for reliability needs no explanation; standardised implies the adoption of common standards and thus compatibility between systems. This minimises the problems of transferring files between systems, obviates the need to learn a second set of commands and control sequences should one need to use other equipment, and simplifies the task of obtaining replacement equipment in the event of a failure.

In addition, many people working from home may not have even have a full size workspace and have to squeeze into the box room — or even a corner of the lounge. Thus,they may have to pay the premium to obtain physically small but *high performance equipment.*

For example, just over a year ago, Konica launched its K190 fax machine. Described as the first upright fax machine in the world, it only occupied an A4 piece of desk space and yet took a B4 original. It is a full-featured machine, incorporating auto-redial and automatic document cutter and so was an ideal tool when *space is at a premium.*

Now, Konica has just announced its K195. This is basically the same machine which has been upgraded to include a built-in telephone hand-set and a half-tone capability. While no price has been set it will probably have a tag of around £1545 — the price of the virtually identical Mitsubishi FA2100 launched last month.

In the world of shrinking microcomputers, the Toshiba range of laptops has just been extended with the T1600 portable desktop 286 machine. It is battery-operated and so can be used on the move. However, more importantly for the office in the home, it provides full IBM AT compatibility and EGA standard graphics in a unit that occupies just over one square foot of desk space.

Using new technology, more than 4m people in the UK could be working from an office at home by 1995

This machine is powerful enough to support software packages which require high speed processing capability and thus should meet most needs for the foreseeable future. At over £3,000, this machine and others occupying a similar spot in the market-place, such as Zenith's Super-Sport 286, cost appreciably more than many of the other machines that offer a comparable performance but are physically larger.

Nevertheless, its price is in the same bracket as the Compaq Portable III which, in its closed form, looks like a large style lunch box. I make this point because Compaq machines are judged by many to be 'the Rolls Royce of personal computers' and this fast 286 machine is ideal for situations where the computer must be stowed away when not in use.

This does not mean to say that other machines, such as low-cost clones or the just-announced Amstrad 2000 series of 24 machines, aimed directly at the business market, are not good — far from it!

There are many machines on the market which offer extremely good value for money. For example, "direct relationship marketing" company Dell Computer Corporation offers a one month money back trial of its m achines which come with a one year on-site parts and labour warranty and free access to the company's technical Hotline. This could well be the ideal solution.

However, the user should assess needs, and with those in mind, narrow the choices and so focus on suitable equipment. No matter how good the equipment, it can all be *brought to naught by lack of* adequate support. Therefore, knowledgeable and helpful local suppliers, as well as user-groups — such as the IBM PC Users' Group and other local groups — can be very helpful the move into uncharted waters.

One of the advantages of working from home is that one can work at times when it suits you. This may be late at night or even early morning. As, at the very least, it would be antisocial to disturb other members of the family, the computer printer selected must be particularly quiet in operation.

Hewlett-Packard's DeskJet ink jet printer appears ideal in that it is quiet in operation and yet provides true letter-quality print together with full-page high-resolution graphics. In fact, it provides laser quality output at a far more affordable price and, using plug-in font cartridges, can print in a variety of different fonts in both draft and letter quality modes.

The recently introduced Qume CrystalPrint liquid crystal shutter page printers offer an alternative. While using the same toner and heat fusing techniques as a laser printer, they are appreciably smaller, have fewer moving parts and offer the same speed as laser printers but, according to Qume do not suffer from the scanning distoration since they do not have rotating mirrors and lenses.

The result is that machines are noticeably smaller and lighter and, presumably, have the potential for being more reliable and lower in cost. In fact, they appear to be ideal personal printers for the office at home.

One of the traps for the unwary when buying a printer is software compatibility — if the particular printer is not listed as being supported by the software you intend using, then you may not be able to take full advantage of some of its sophisticated features. And these may be for what you *have had to pay a premium.*

A lightweight photocopier such as the Sharp Z-50, or even the Z-70 which takes B4 originals and has a reduction/enlargement facility may be a worthwhile investment to save an inordinate amount of time wasting going to your local copyshop. Furthermore, it will be useful where multiple copies are required from your PC, as consumables for laser type printers are quite expensive.

The range of IBM-compatible software is virtually infinite and so are the choices — and the fact that one works at home does not mean working in total isolation. Ideally, one should use the same software as one's affiliates. This will simplify file transfer and, when you are faced with a software problem, you will often know someone who has previously met, and solved, that same problem.

However, the latest version of the Wordstar word processor package, Wordstar Professional Release 5, is said to incorporate 390 new features, including the most effective advanced page *preview* facilities available.

In this new version, users can choose from pull-down menus, original Wordstar commands or function keys. Furthermore, it has an auto-save facility which insures against loss of data.

Sometimes there is a need to make documents more than just presentable. A higher standard of appearance may be worthwhile — even if just on the title page of a presentation. A low-cost DTP package such as Timeworks Desktop Publisher PC allows one take existing test files from Wordstar and other WP packages and to design and layout documents in a variety of typefaces, styles and sizes.

Because the computer display shows you exactly how the finished document will look, it is relatively easy to put one's ideas into practice. Once a page looks exactly as desired, it can be printed out.

When working from home, it should not be forgotten that one needs to be business-like *and organised — a time recording* and analysis program, Timeslips, from Mirrorsoft, can be used as a "pop-up" at the touch of a key so as to be able to time jobs and allocate costs easily. It has just been named "Small Business Software of the Year" in the 1988 Personal Computer Awards.

Selling at £69.99 plus VAT it should rapidly pay for itself in improved time-discipline, even where the user cannot charge directly for his or her time.

But the bottom line of all this productivity is that one must keep good accounts. Many people, no matter how brilliant in their own field, have a mental block where accounting and book-keeping are concerned. The latest version of the Dac-Easy Accounting program incorporates context-sensitive help and even includes a primer on accounting in the manual.

While a little knowledge is often considered to be a dangerous thing, at £29.95 + VAT, this program appears to be a very *low-cost* way of keeping watch on one's books.

Adrian Morant

Preparing for 1992

Continued from Page 7

Alan Cooper, another UK manufacturer, announced record interim results for the six months to June. Profits for the Lancashire-based company were up 35% (before tax) to £1.3m on a turnover of £5.1m.

Mr G.P.Barua, director of NBES, predicts that the advent of the single European market will affect the way that multinational groups buy all their business equipment products, including office furniture.

"Decisions on the larger contracts will be made trans-nationally, with more centralisation of the negotiation process. When this takes place, only those office furniture companies that can provide trans-national servicing and support will find themselves on the shortlist of suppliers — hence all the jockeying for position and the expansion plans now going on."

Mr Barua attributes booming sales activity in the UK market to higher levels of expectation about the working environment on the part of corporate purchasers, hastened by the introduction of office automation and, in particular, developments in the City of London and the wider financial community. The comparatively fast growth of the UK economy has encouraged both domestic and foreign furniture producers to invest in Britain and to gain product and manufacturing advantages, he says.

Despite the conclusion by the NBES report that the systems market was growing at the rate of 24% in the year to March, 1988, Mr Barua sounds a note of caution. He predicts that from 1990 on, the UK market will "get much tougher - the office furniture industry is, after all, notoriously cyclical. As the economy slows down, which seems likely, so orders will slacken.

"Some manufacturers are already beginning to feel a chill wind, although the industry as a whole has not."

Mr Barua anticipates that as the supply-side catches up with demand, price-cutting will intensify — and over-crowding in the sector will force further buyouts.

Increasingly professional marketing will mean a closer attention to the needs of niche markets, making stronger links with customers. Those companies which emphasise direct sales forces, as opposed to dealer networks, will find their investment in this more expensive form of distribution repays them, he believes.

*"Trends in the Systems Furniture Industry"; from NBES, London, tel.01.536.5420.

Michael Wiltshire

SECTION IV

FINANCIAL TIMES SURVEY

This year marks the 20th anniversary of The Troubles. Yet, powerful as the images of violence are, they belie much of the everyday reality of Northern Ireland. Even in the toughest areas, life goes on. **Kieran Cooke** examines the broader picture

Image, reality and paradox

AN ELDERLY woman from Northern Ireland was visiting her daughter in Dublin. "Oh, I can't wait to get back over the border to have a rest. There's so much hustle and bustle down here," she said. A French academic declines an invitation to lecture in Belfast. It seems she is worried for her safety. Image and reality constantly clash in Northern Ireland.

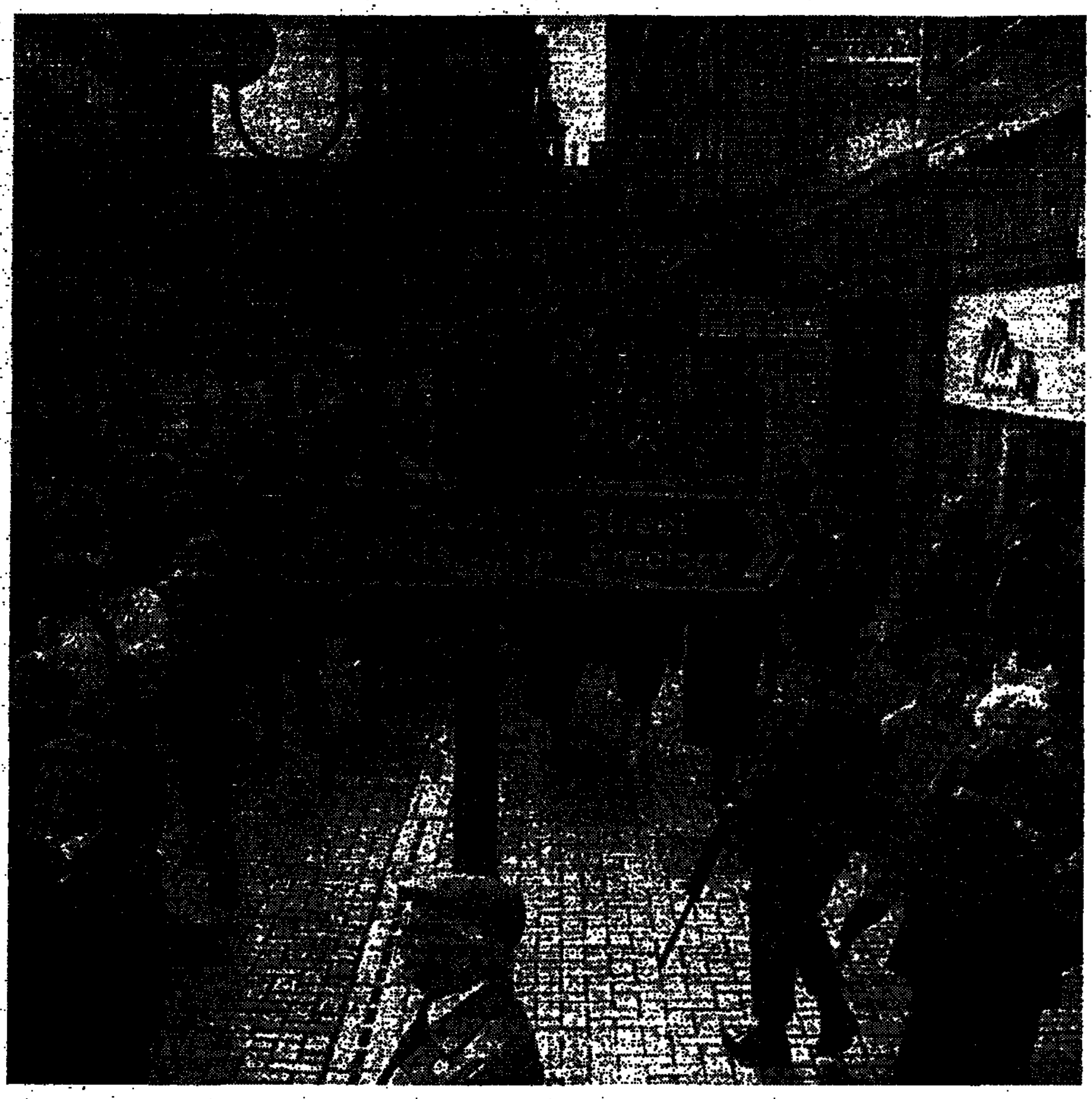
According to official statistics, it has the lowest level of serious crime of any area in the UK. But the murder rate, while still only half the level in the US, is about six times the UK average. "We are a peaceful, orderly community," said a senior officer in the Royal Ulster Constabulary. "It's just that people here seem to have an unfortunate propensity for killing each other."

Economically, Northern Ireland is one of the most hard-hit areas in the country with a jobless rate of 16.9 per cent, nearly twice the national average. Yet many sectors of the economy are performing well. A host of firms have grown up to take on not just other UK companies, but the world. Many retail businesses have never done better trade.

Northern Ireland has one of the highest registration rates for top of the range cars in the UK. There has been solid economic progress this year. The number of jobless has fallen by 10,000. Both Northern Ireland's Industrial Development Board (IDB) and LEDU, the small business agency, have created a record number of new jobs.

Some sectors of the economy have performed strongly. Textiles and clothing, which employ 28,000 people, or more than a quarter of Northern Ireland's manufacturing workforce, have made significant advances. The linen industry, in which Northern Ireland once led the world, has been revived. Herdmans, the largest producer of linen yarn in the province, has started an IDB assisted £17m expansion which will create nearly 300 jobs near Strabane, an unemployment blackspots. The IDB says a record of more than 5,000 jobs were promoted in 1987/88; £300m was invested in IDB-supported projects.

But there is concern that Northern Ireland has not shared in the full fruits of the economic upturn evident in most parts of the mainland. Output in the province has been more or less static at a time when overall national output has been rising by more than 5 per cent per annum.



Belfast city centre: business as usual under the watchful eye of a British soldier

Northern Ireland

Northern Ireland remains very dependent on the national economic health: any sign of a downturn in southeast England could endanger recovery in the province. While present levels of government spending in Northern Ireland are likely to continue, with public expenditure equivalent to about 70 per cent of the province's GDP, and more than 40 per of all employees in the public sector, it has been made clear that the province will no longer be set apart from the general line of economic policy.

The privatisation of Northern Ireland Electricity, Harland and Wolff shipyards and Short Brothers, the aerospace manufacturers, have all been announced in the last few months. All three enterprises play a vital role in the economy of Northern Ireland, with H&W and Shorts together employing more than 10 per cent of the total manufacturing workforce. The skills and expertise of these companies have been built up over many years and are respected worldwide.

Privatisation has quickly led to talk of British "economic withdrawal" from Northern Ireland. Workers say they will fight the privatisation plans. For once, politicians of all parties in Northern Ireland seem united. They say privatisation will lead to job losses and warn of serious social unrest. Once again, there is the perception that Northern Ireland is being isolated and ignored. Once again there are fears for the future.

The Government angrily dismisses allegations of either economic or political withdrawal from Northern Ireland. It says current levels of expenditure in the province will continue. Funds must, however, be more sensibly allocated and ideas of state dependency which have grown up in the province must be rejected.

It also disputes the notion that privatisation will inevitably lead to job losses. "There is no future for Northern Ireland as an economic wasteland; no future for Northern Ireland through terrorism; and no future in a political vacuum. We need action on all three fronts," Mr Tom King, the Northern Ireland Secretary of State, said recently.

Mr King is generally respected for the enthusiasm and commitment he has shown in what is a difficult and by no means popular government post. But the feeling persists among people in the province that they have no say in decisions which vitally affect their lives. There are many complaints about what is seen as a non-responsive and all-powerful civil service. "Whether it's the Anglo Irish agreement or privatisation, the people of Northern Ireland have no say," says Mr Ken Maginnis, Official Unionist MP for Fermanagh and South Tyrone.

Mr King has tried to find a way towards some form of devolved government. There have been talks about talks, complicated formulae to try to break the political log-jam. The mainly Roman Catholic Social, Democratic and Labour Party (SDLP)has had a series of discussions with Sinn Fein, the IRA's political wing. On the surface at least, little seems to have been achieved. Questions of security and terrorism have always come to the fore.

This has also been the case with the Anglo Irish agreement. Despite some serious differences between London and Dublin, the agreement survives and its workings are at present under review. The Unionists continue adamantly to oppose the agreement, seeing the involvement of Dublin in the internal affairs of Northern Ireland as a barrier to any political progress.

Conversely Mr John Hume, leader of the SDLP, sees the agreement as vital for a political breakthrough. He also feels that 1992 and the Single European Market will at least dilute some of the problems of Northern Ireland. The people of Northern Ireland remain unconvinced. A recent poll showed that even amongst the nationalist population there was deep scepticism about how the agreement would improve their lives or the political situation.

It has not been a good year on the security front: a loyalist extremist let fly with bombs and bullets at a Republican funeral. Two soldiers were brutally bludgeoned and killed in front of the world's TV cameras. It has been a particularly bad year for British army casualties. So far this year, the twentieth year of "The Troubles", three RUC officers, 22 regular army soldiers, 11 UDR and 46 civilians have been killed in Northern Ireland. Bad as the violence has been this year, it pales in comparison with the mid 1970s when killings and bombings were far more frequent and widespread throughout the community.

The IRA has suffered some serious setbacks, with many of its limited supply of top operatives killed. Sir John Hermon, RUC Chief Constable, has however warned that the IRA, with its new supplies of arms from Libya, is preparing what could be "A terrifying end to 1988".

Powerful as the images of guns and violence are, they belie much of the everyday realities of life in Northern Ireland. People in the province are often appalled by the outside world's ideas about life in Northern Ireland. People are not savages and random killers. Even in the toughest areas, the ghettoes where people are isolated within their own community, surrounded by security checkpoints and cameras, life goes on. Reconciliation groups work quietly away to try to bring the communities together.

The province has a thriving cultural life. Playwrights like Brian Friel and Ian McElhinney, poets Seamus Heaney and Medh McGuckian, artists like Diarmuid Delarghy and Una Walker, are another aspect of life in Ulster.

The media is in part to blame for outside perceptions. After all, bombs and bullets make better headlines than the start up of a bath manufacturing company or new government proposals on integrated education which could lay the foundation for a more peaceful future.

But Northern Ireland is never going to be easy to understand. Dervla Murphy, an Irish travel writer, chose to begin her book on the province, A Place Apart, with an appropriate quotation: "I have yet to see any problem, however complicated, which when you looked at it the right way did not become still more complicated."

CONTENTS

Privatisation plans for industry meet opposition

Economic withdrawal denied

ON JULY 28 this year the House of Commons was treated to a rare sight: for once all the politicians from Northern Ireland were agreeing with one another. The subject at issue was privatisation and the Government's plans to transfer major industries in Northern Ireland to the private sector.

This year the Government announced plans to sell off the Harland and Wolff shipyards, the aerospace manufacturing company Short Brothers, and *Northern Ireland Electricity*.

Considerable passions have been aroused by the news. Northern Ireland's politicians have condemned the Government's plans. Even Sinn Fein, the IRA's political wing and a party committed to British withdrawal from Northern Ireland, has spoken against what is perceived by many politicians as economic withdrawal. Unions have formed special committees to fight privatisation.

The Government sees privatisation plans for Northern Ireland as a natural extension of its general economic philosophy. Mr Tom King, the Northern Ireland Secretary, told a recent meeting of the Institute of Directors in Belfast that talk of British economic withdrawal was rubbish and "so silly that I hardly bother mentioning it." Mr Peter Viggers, the Northern Ireland Industry Minister, says an attitude of dependency cannot continue. "We cannot pursue a policy of feather-bedding" says Mr Viggers.


Mr Tom King


Mr Peter Viggers: 'no more feather-bedding'

He and other Government officials point out that levels of government spending in Northern Ireland, with Treasury subventions currently running at about 50 per cent of the province's GDP, are set to continue. "We do realise the special needs to Northern Ireland," says Mr Viggers. "We are willing to carry on the present path." At the same time, Mr Viggers says the Government cannot continue to put money into such concerns as Harland and Wolff when other shipyards in Sunderland, in areas facing similar unemployment, are having funds cut back.

Harland and Wolff and Short Bros together employ about 11,000. The next biggest manufacturing employer in the province is the US Dupont company, which has 1,500 workers at its factory in Londonderry.

Both Harlands and Shorts have been making losses for several years and have been heavily subsidised by central Government. The bottom line losses of Shorts in the four years up to March 1987 totalled £59m. That figure is expected to increase substantially when the latest company figures are released at the end of this month.

NIE, Harlands and Shorts have all welcomed privatisation plans though there is more than a little concern about Government tactics and criticism of the handling of the whole issue. There has been conflict between Harlands and the Government over Mr Ravi Tikoo, the Indian entrepreneur who wants to build the world's most luxurious liner, the £265m "The Ultimate Dream", in Belfast. Mr Tikoo wants substantial Government subsidies. The Government wants to sell the shipyard and says other companies are interested. Critics say Government prevarication could mean the closure of the H&W yard, which earlier this century led the world in shipbuilding, employing 35,000. It now has under 4,000 workers.

The concern of local politicians and of the unions centres both on potential job losses if privatisation goes ahead and, in the case of Shorts and H&W, the loss of skills and expertise built up over several years. Mr Ken Maginnis, MP for the Official Unionist Party, accuses the Government and particularly the Northern Ireland Office, of being out of touch and not fighting strongly enough for the interests of Northern Ireland. "We cannot lose the skills built up at Shorts and Harlands. They are respected world-wide. The Government just makes decisions over our heads, we are ruled by dictate," says Mr Maginnis.

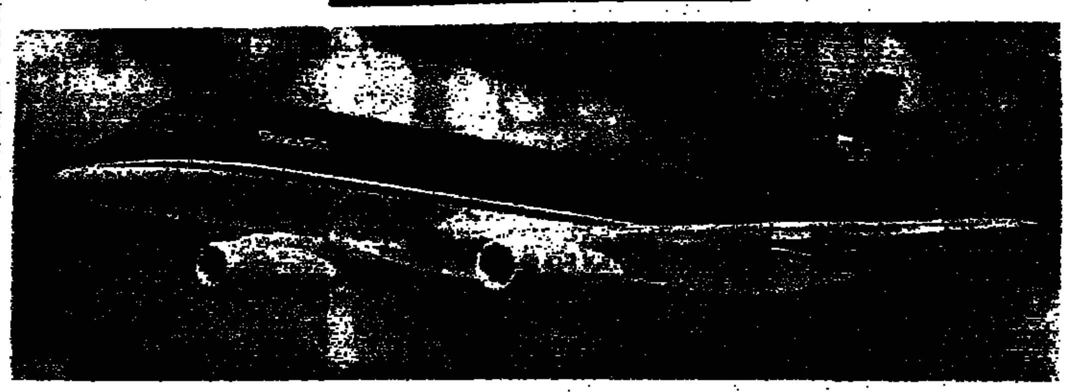
Mr Pat McCartan is head of a union body set up to fight privatisation. He says all three enterprises planned for privatisation have 100 per cent union membership. "Privatisation will only lead to asset stripping, loss of jobs and, ultimately, more instability in Northern Ireland," says Mr McCartan. "At H&W, in particular, there will be more subcontracting. The ability to build a complete vessel will be lost. In the end we'll end up cutting and bending steel, which any Third World country can do," says Mr McCartan.

Mr Peter Robinson is deputy leader of the Democratic Unionist Party, which represents many of the Protestant working class community in East Belfast, home of both H&W and Shorts. He says privatisation might make sense in the south-east of England but not in Northern Ireland. "The profits of these companies have in the past been lifted and taken back to the mainland. There are clear signs that as part of its political withdrawal, the Government is also disinvesting in Northern Ireland. Even if the subsidies have to continue, it's better than putting people on the dole," says Mr Robinson.

Not only the Government, but others resident in Northern Ireland object to such ideas. Two local economists point out that funds of about £5bn annually will continue to be made available in the province. What is needed is a re-allocation of resources into other areas of the economy and not an over-concentration on just two or three concerns. Another analyst says that a dependency psychology has grown up in Northern Ireland with people far too used to the idea of grants and subsidies. There is too much government in Northern Ireland, too many civil servants, too many public bodies. "We need a psychologist here, not a Secretary of State. There will never be a right time to privatise but it has to be done. There is no advantage in delay," he said.

Kieran Cooke

SHORT BROTHERS


The FJX: a twin-jet engined 40-seater aircraft for the 1990s.

Vital to the economy

SHORT BROTHERS, the Belfast based aerospace company, is the largest employer in Northern Ireland. It has a workforce of 7,800 – in relation to the population, the equivalent of an enterprise with 260,000 workers in England. With many others dependent on Shorts for subcontracted work, developments at the company play a vital role in the economy of Northern Ireland.

In July this year the Government announced plans to privatise Shorts. The announcement has been expected for some time in the context of the Government's overall privatisation strategy. What did cause consternation, not only among the workers but also among company management, was the manner and method the Government adopted in making its announcement.

Mr Peter Viggers, Northern Ireland's Industry Minister, told the House of Commons that the Government was ready to consider suitable proposals leading to the acquisition of Shorts. "The Government would prefer to transfer the company as whole to the private sector. We would not, however, rule out the sale of the different parts of the business to separate interests."

Critics say that by announcing its willingness to sell off the various parts of Shorts, the Government was undermining the value and integrity of the company. Management and Government seem to have since agreed that all the emphasis should be placed on selling Shorts as a single entity and not splitting it up. Mr Viggers says he has made it "abundantly clear" that this is the preferred course.

Mr Roy McNulty, Managing Director of Shorts since April this year, says the company has received several approaches for the sale of certain of its divisions but those offers have all been turned down.

The company is at present preparing a "Sale Memorandum" containing a fully validated and up-to-date set of information about the company to show to potential buyers. Shorts has a good reputation in the industry and order books in two of its four divisions are full well into the future. But the company has severe financial problems. These go back to the early 1960s when Shorts built the Belfast Freighter, one of the biggest cargo aircraft ever constructed. A production run of 30 was planned but only 10 were bought by the RAF.

Debts have mounted steadily ever since and more than 80 per cent of total losses are now accounted for by interest payments. Mr Viggers says the debt question will be central in the run-up to privatisation but will not say whether the Government would be willing to restructure the company financially.

Shorts has a proud history and claims to be the oldest established aircraft manufacturing concern in the world. During the Second World War the company employed 14,000 building the Bristol and Sterling bombers and the Sunderland flying boat. It is widely respected in the aviation world for its research and development skills.

It is a major sub-contractor for Bowing, Fokker and other aircraft manufacturers. Its Javelin and Starstreak missiles are bought by armed forces throughout the world. It has developed the Tucanc trainer and the widely used Shorts 360 turbo prop aircraft.

Shorts is now working on the FJX, a twin-jet engined 40-seater aircraft for the 1990s. Mr McNulty sees the FJX as crucial to the future health of Shorts. "The FJX will be an asset to privatisation. It's the right time for the project and the aircraft has very definite potential," says Mr McNulty.

Shorts workers are concerned about the future. Many feel that sooner or later the company will be split up and jobs will inevitably be lost. Last month they announced an anti-privatisation campaign to stop "this prestigious company being torn apart by international speculation or ideological dogma". The campaign is called Knife: Keep Northern Ireland Flying Economically.

Kieran Cooke

Fair employment procedures will be backed by law

Search for end to discrimination

NEXT YEAR it will become a criminal offence for many Northern Ireland companies to fail to monitor the religious composition of their workforces. All public sector employers, and those in the private sector with 25 or more employees – later to be 10 – will be required to monitor religious composition and to make annual returns to a new Fair Employment Commission. Failure to comply will be a criminal offence punishable by a fine of up to £2,000.

The Government wants to convince international opinion of its commitment to fair employment procedures in Northern Ireland where Roman Catholic males are two-and-a-half times more likely than Protestants to be unemployed. Ministers hope the legislation will counter a campaign by Pro-Republican groups to persuade US firms to disinvest because of alleged discrimination against Catholics.

The proposals to strengthen the law against religious discrimination, and promote genuine equality of job opportunity, were published in a White Paper earlier this year and the Government has indicated that a Bill will be introduced in Parliament at the earliest opportunity.

Monitoring of religious composition by companies will enable both employers and the new Commission to assess the actual outcome of current employment practices and serve as a starting point for possible change. A key feature of the proposed legislation is a Code of Practice which will guide employers on how their structures can be improved.

The new Commission will inherit the investigatory powers of the Fair Employment Agency and its educational, promotional and advisory roles. It will carry out investigations of employment patterns and be empowered to issue legally-enforceable directions.

Failure of firms to implement these directions will enable the Commission to apply to a new fair employment tribunal – established as a distinct body within industrial tribunal structures – for an Order of Compliance. Companies ignoring such Orders will render themselves liable to action in the High Court for contempt. Employers found in breach of their statutory obligations will be ineligible for Government contracts and a range of Government grants.

The new Tribunal will adjudicate on individual cases of alleged discrimination and the Commission will have the power to assist individuals financially to pursue their cases. Cases of religious discrimination will in future be handled in a similar way to cases of sex discrimination.

Where monitoring fails to show that the composition of a workforce is not broadly representative of the area from which it is drawn, the FEC will be able to direct employers to embark on affirmative action programmes. Such programmes will help under-represented groups to have access to jobs by broadening social and peripheral catchment areas and removing obstacles preventing a wide range of applicants coming forward.

The proposed legislation also endorses the merit principle as being central to the Government's fair employment policy and any form of quotas or reverse discrimination will remain illegal. Nevertheless, Ulster's unionist community is not convinced by the assurances and have set up a separate body to monitor the new legislation. The Northern Ireland Anti-Discrimination Association believes the Government's determination to reduce religious imbalances will lead to quotas.

The present Fair Employment Agency has broadly welcomed the general thrust of the legislation but says if real change is to be made the Government must keep equality of opportunity at the forefront of all its policy decisions, at all levels.

Jim Flanagan

The development of the economy is lagging behind that of the mainland

Economic gloom is not entirely unrelieved

THE BUSTLE of Belfast City Centre, the shiny new cars on the roads, the crowded unemployment offices of Strabane, Londonderry or Newry: the economy of Northern Ireland, like most other aspects of life in the province, throws out contrasting images.

First the good news. Unemployment is down; there are signs of a significant upturn in investment; business confidence is growing. Some industries, particularly textiles, agriculture and construction, have performed well over the last 12 months. A mini consumer boom continues.

"There have been those who have considered the province's economy to be in a state of terminal decline. Yet that is plainly not the case," said Mr Peter Viggers, Northern Ireland's Minister for Industry recently.

The bad news is that Northern Ireland's unemployment rate — 16.9 per cent in August — continues to be the highest in the UK and is twice the national average. The Northern Ireland economy has lagged well behind development on the mainland and has yet to capitalise on the national economic upturn. Though there have been signs of recent growth, industrial output has remained generally static over the past year despite an overall UK growth of about 6 per cent.

The Northern Ireland economy has a number of characteristics which influence performance. Northern Ireland has a population of only 1.5m and the manufacturing workforce over recent years has shrunk to 100,000. Exporting is essential to survival. But geographically Northern Ireland is cut off: while communications have improved considerably, the province's isolation does mean higher freight costs.

The seamen's strike earlier this year did as yet unquantifiable damage to the economy. A factory producing chickens for one of the major stores on the mainland could not export its goods. The chickens grew too fat, the order was cancelled. A local entrepreneur watched his mushroom crop rot. Often the small stretch of water between the mainland and Northern Ireland seems to have an adverse psychological impact on business relationships.

Public expenditure per capita in Northern Ireland is about 40 per cent above the national average. More than 40 per cent of all employees are in the public sector. Public expenditure is equivalent to about 70 per cent of GDP, well above national figures but proportionately on the decline in recent years. (An interesting factor is a dramatic revision, at present underway, of official GDP statistics for Northern Ireland. New statistics suggest that since 1982, the GDP of the province has been underestimated by more than 3 per cent per year — computer error has been blamed. With such a large dependence on public expenditure, government cutbacks have obviously had a negative impact on the Northern Ireland economy.

One of the main thrusts of recent Government policy has been to cut back on the reliance of Northern Ireland's economy on external finance. It has instituted a "Pathfinder scheme" to identify and tackle some of the main constraints on economic development in the province. Fewer grants and more diversification have been emphasised. The growth of small businesses has been encouraged through bodies such as LEDU the small business agency which has promoted nearly 20,000 jobs in the past five years. There have been 18 local enterprise centres set up for small businesses.

Achievements in the employment sector have been impressive with numbers out of work dropping from 130,000 two years ago to 117,000 in August 1988. Bucking the national trend, employment in the manufacturing sector has actually grown slightly over the last 12 months. However, there is still a considerable gap between the unemployment decline and levels of new jobs. This is in part explained by emigration from the province estimated to be running at about 7,000 per annum (mostly graduates and skilled workers) and statistical quirks due to the impact of the many government-sponsored job training schemes in operation in the province.

Northern Ireland has a younger population than the rest of the UK and a workforce that is growing at more than five times the national average. While some view this as a problem, Northern Ireland ministers say that with shortages of young workers now increasingly common on the mainland, Northern Ireland, with its well-educated and skilled numbers of young people, will in future have distinct advantages.

The Industrial Development Bank, the highly energetic and resourceful Government body responsible for attracting investment in Northern Ireland, says that in 1987/88 it promoted 5,300 new jobs and a total of £300m was invested in projects supported by the Board. The IDB says that nearly half the new jobs resulted from expansion by companies with headquarters outside the province. Mr Tony Hopkins, the IDB's chief executive since August, says that cost competitiveness and reliability are Northern Ireland's biggest selling points.

"We don't lead with our financial incentives package. Rather we emphasise the work ethic of Ulster people, high educational standards, our performance, productivity and industrial heritage," says Mr Hopkins. Again, there are difficulties about perceptions of Northern Ireland. "We find more difficulty getting our message across in south-east England than in South Korea. As long as people have open minds and come here to see the situation for themselves we are all right," says Mr Hopkins.

The IDB has put a great deal of resources into the development of the textile industry in Northern Ireland in recent years. Textiles and clothing now employ more than a quarter of the total manufacturing workforce in the province. Over the last three years £98m of IDB money has been put into the sector. Output has climbed considerably. Old industries, particularly linen, have been revived. There are now encouraging signs of the development of more downstream cost-added enterprises.

Agriculture, which employs about 10 per cent of the working population in Northern Ireland, has been going through one of its more buoyant phases, with good weather leading to higher crop yields and a rise in incomes. EC quota restrictions on milk and beef output are, however, likely to result in a bleaker period on the lands of Northern Ireland. The construction industry has been helped by the big growth in the retail trade

Consumer expenditure has continued to be buoyant, with average weekly expenditure per household ahead of many areas in the rest of the UK, despite generally lower income levels.

House prices, while generally below many areas on the mainland, have risen substantially, particularly at the top end of the market. Registrations of many of the more luxurious cars are among the highest in the UK. There are certainly some areas of gloom in Northern Ireland's economy, but it is by no means a uniform picture.

Kieran Cooke

FINANCIAL SERVICES

Proposals for overhaul

NORTHERN IRELAND'S financial services sector, which employs around 30,000 people, is assessing the implications of one of the most comprehensive reviews of the local industry ever undertaken.

A special banking task force, established under the Government's "Pathfinder" programme which is aimed at building a stronger economy, has produced radical proposals for future development. The recommendations, encompassed in a document entitled Banks and the Wider Economy and published jointly by the Department of Economic Development and the Northern Ireland Bankers' Association, will, if implemented, result in a complete overhaul of the local financial services sector.

Many of the action points complement the Government's overall strategy of reducing the Ulster economy's reliance on public funding and, in the long term, encouraging a strong, independent market for business advice and financial services delivered by private sector agencies.

It all adds up to an exciting period in the development of a sector not prone to rapid change.

Lunchtime opening, introduced in Belfast last year by the province's four main clearing banks, Northern Bank, Allied Irish Bank, Bank of Ireland and Ulster Bank, has proved successful and is being extended to provincial towns. A "change agreement" concluded recently between the NIBA and the staff union, the Irish Bank Officials Association, will allow for greater flexibility in the provision of customer services. The main effect will be to increase part-time staffing levels, a move resisted by the union for years. The threat posed by the ability of building societies to offer an ever-increasing range of accounts and services has made modification of traditional banking practices inevitable.

The trend towards separating corporate and retail banking functions is proving of immense value to the business community. The result has been an improvement in business customers' financial planning methods and a decline in the number of failures.

Mr Sam Torrens, chairman of the NIBA and chief executive of the provinces's biggest

Continued on Page 4

NORBROOK

Animal drugs manufacturer

NORBROOK Laboratories' proud boast is that its products are used on goats in the Alps and elephants in Burma. The company, based at Newry near the border with the Irish Republic, now exports to more than 70 countries and last year had a turnover of £12m. This year sales have increased significantly and an £8m expansion programme is underway.

Norbrook manufactures a range of drugs for the world's animals. Founded 20 years ago, the company is proof that, despite the political upheavals and violence of recent times in Northern Ireland, good ideas and enthusiasm can win through.

Norbrook is now the biggest employer in an area which is one of Northern Ireland's jobless blackspots, with an unemployment rate of more than 27 per cent. The company employs a total of 260 people, and when the present expansion programme is complete another 225 jobs will be created.

Norbrook was founded in the late 1960s by Mr Eddie Haughey, an entrepreneur born over the border in the Irish Republic. New UK government regulations had been brought in tightening up on the manufacture and dispensing of veterinary antibiotics. Mr Haughey started manufacture and dispensing of veterinary drugs in line with the stringent new laws.

Norbrook, employing a small group of chemists and vets, also embarked on a research and development programme. The first breakthrough came in 1974 with the formulation of a painless injectable antibiotic, oxytetracycline.

Another step forward was the patenting of a long-acting antibiotic which enabled farmers to cut down on the number of times they had to inject their animals — a considerable time-saver, especially for those with big herds.

The bulk of Norbrook's work is now manufacturing for the big chemical companies, who then retail Norbrook-manufactured products under their own brand names.

Though it is estimated that the global market for veterinary drugs is £2.5bn, most of the chemical giants concentrate on the much bigger market for human drugs. Norbrook sells to 15 of the world's top 20 chemical companies.

Over the last five years it has also begun to market its own products: the company has a 15-strong sales force based in London and has increased global sales of its own products substantially, particularly in the last two years. Response in East Africa has been good with sales of more than £1m in Kenya.

Mr Michael Townsley is Norbrook's commercial director. "We want to be a very large company and have big ambitions. We are also a very young company: the average age of our employees is not much more than 30."

Mr Townsley admits that some customers are unsure about doing business with a Northern Ireland company. "Image is a problem. We have to try more than others. But once people come here, see what it's really like and see the quality of our workforce, the problems disappear. We regard ourselves as diplomats for Northern Ireland," says Mr Townsley. Norbrook says it has never had any strikes and if there is any antagonism between workers from the different communities, it is not allowed to intrude onto the factory floor.

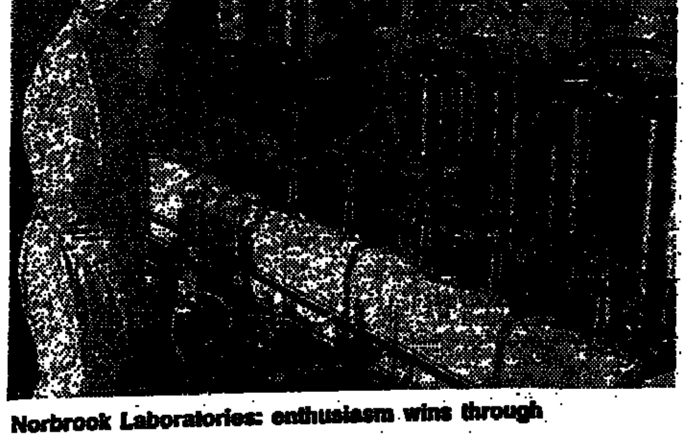
The company recently achieved a big breakthrough in the US market, which accounts for about 35 per cent of global veterinary sales. After exhaustive inspections the US Food and Drug Administration granted Norbrook a licence to sell its penicillin products in the US — the only foreign veterinary company to obtain such permission. A recent US order of $2.5m was the company's biggest contract to date.

Norbrook feels it has the edge over the other companies mainly because of its extensive research and development programme and its data processing facilities. Regulations on animal drugs are becoming increasingly tight and all drugs have to be accompanied by an ever more complex list of data on exactly how they should be used and what effect they have on a particular animal.

The company has invested considerable funds in sophisticated technology. The Industrial Development Bank and Local Enterprise Development Unit (LEDU) have helped Norbrook at various times. But despite sales success, funding is often hard to come by. Banks within Northern Ireland often lack the necessary expertise to deal with global transactions.

Banks outside Northern Ireland are still often prejudiced against doing business with companies in what they perceive to be riot-torn Northern Ireland. Again, perception and reality are far apart.

Kieran Cooke



Norbrook Laboratories: enthusiasm wins through

The future for Northern Ireland Electricity

Energy devoted to debate

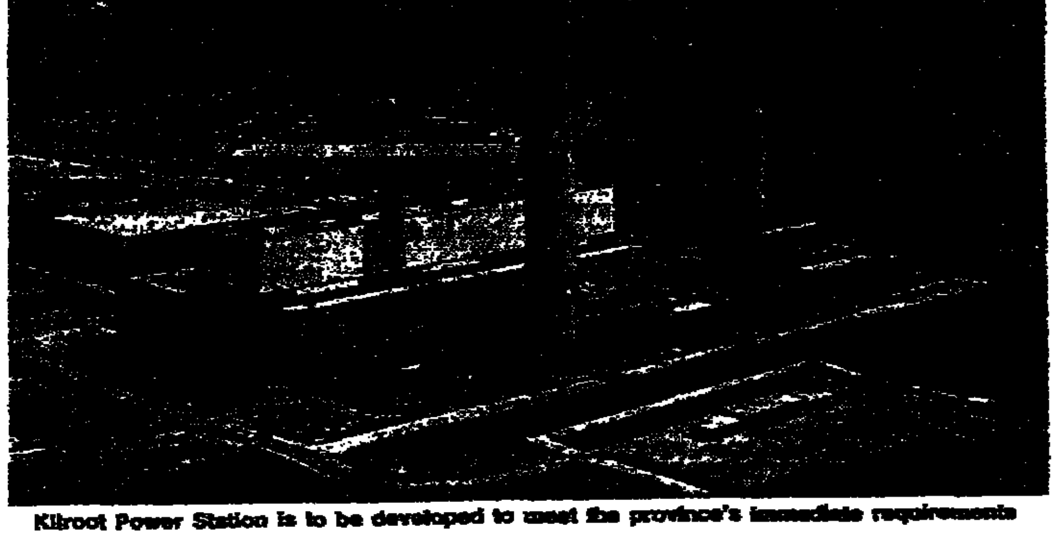
DR ROELOF Schierbeek, chairman of Northern Ireland Electricity, has clear views about future ownership of the public utility should it be transferred to the private sector.

"I'm certainly in favour of a flotation producing a wide share ownership, with hopefully many shareholders in Northern Ireland," says Dr Schierbeek.

However, the chairman's bold statement needs to be assessed in the context of a privatisation debate which has only just begun. Plans to privatise NIE, along with aerospace manufacturers Short Bros and the Harland and Wolff shipyard, were announced recently by the Government.

"At present both the government and our own advisers are assessing the financial implications of privatisation," says Dr Schierbeek. "We are content to discuss the concept with Government and examine all possibilities. The most important factor to be considered is the effect on the Northern Ireland economy. If we can find ways and means to privatise NIE without adversely affecting the economy, we will be happy to do so."

Dr Schierbeek is strongly in favour of NIE being retained as a self-contained entity. "One can see a third party buying the whole of NIE but I do not think that would be in the interests of consumers. I believe a flotation with many local shareholders including NIE employees either individually or as a consortium would be beneficial. It is vitally important that NIE remains a single unit and is not sold off piecemeal.



Kilroot Power Station is to be developed to meet the province's immediate requirements

"After all, it is only 15 years ago that the various undertakings in NIE were amalgamated and it produced increased efficiency and productivity. It would be very difficult to convince me that breaking it up again would also produce an improved performance."

Plus points favouring a single organisation include the availability of NIE's pool of experience which can deal with all aspects of electricity transmission and generation.

Dr Schierbeek believes that the role of the regulatory body will be of vital importance if privatisation comes about. "In Great Britain the Government seems to be favouring a regulator based on electricity charges rather than on profit. How it is developed here remains to be seen. It is also crucial that any new organisation starts with a sound financial structure which is in the best interests of employees and consumers."

Just when privatisation will occur will depend on whether NIE is treated as a separate entity or part of the overall UK privatisation plan, but the process could be completed within three years. Because of the impending retirement of two of Ulster's older power stations and an annual growth rate in electricity demand of about three per cent a year, the province needs new generating capacity by the mid-1990s.

On July 15 1988 Mr Peter Viggers, Northern Ireland Industry Minister, made two announcements which had a profound effect on Northern Ireland's energy debate. The Government ended months of speculation when it announced the privatisation plan and disclosed that Kilroot Power Station near Carrickfergus in Co. Antrim would be developed to meet the province's immediate energy requirements.

The decisions put into abeyance plans to build the UK's first lignite-fired power station in Northern Ireland. Lignite or "brown coal" has been found in vast quantities at Ballymoney and Crumlin in Co Antrim, providing a region which, in the past, has relied on costly imports with a valuable indigenous source of fuel.

NIE's long-term objective is to move to a fuel diversification strategy of one-third oil, one-third coal and one-third lignite.

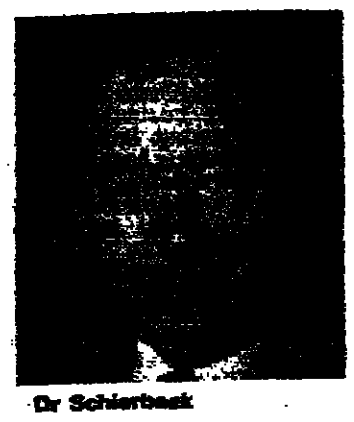
Three years ago when coal and oil prices were high it seemed as if lignite offered the most economical way of providing new generating capacity. Both NIE and Antrim Power, a private consortium the shareholders of which included Lamont Holdings, GEC, Hanson Trust and Bechtel, made detailed submissions to build and run a 450MW lignite-fired power station at Crumlin.

However, in view of recent falling oil and coal prices, NIE made no secret of its preference for developing Kilroot in the short term, leaving lignite exploitation until the 1990s. Kilroot, Ulster's most modern power station, was completed in 1982 and was designed as a 1,200MW plant consisting of four 300MW oil-fired units. Spiralling oil prices in the 1970s meant that only two units were installed and they are being converted to use either coal or oil when they come on stream early next year.

In reaching the decision over future energy capacity, the Government was clearly influenced by the large capital investment already made at Kilroot. At £150m, the cost of installing the other two generating sets is less than half the capital cost of a new lignite station. Kilroot phase two will provide a capacity of 360MW if coal-fired and 520MW if oil-fired, giving the province the extra capacity it needs in view of the impending retirement of two power stations in Belfast and Londonderry.

Antrim Power was not impressed when Mr Viggers said it had put together "by far the most interesting and attractive private proposal". The company spoke of "bewilderment" at the Government's announcement and claimed it had reached a decision outside the terms of the original competition.

Antrim Power had put together a financial package solely from private sector sources with the participation of British, Irish, Japanese, Continental and American banks.



Dr Schierbeek

They projected an input of private capital into Northern Ireland of about £700m, resulting in hundreds of permanent jobs and providing 2,900 jobs in construction.

It was clearly an attractive proposition for a privatising government but the economic arguments in favour of Kilroot proved decisive.

In sharp contrast to Antrim Power, Meekatharra Minerals, the Australian company with the prospecting rights to the Ballymoney field, welcomed the Government's energy strategy. Meekatharra believes that lignite, feeding a new power station adjacent to a Ballymoney mine, will provide the cheapest electricity in the UK and permanently remove the need for the subsidisation of the province's electricity prices.

The way is now clear for a detailed study of the respective merits of the lignite fields to ensure that the correct approach is taken in exploiting the fuel. However, before that particular issue is settled, the spotlight will clearly be on the privatising of a company which turned in a record operating surplus of £11.6m for the year ending in March.

Jim Flanagan

INWARD INVESTMENT

Interest from East Asia

MENTION SEOUL and millions of minds immediately turn to the splendour of last month's Olympic Games. But the South Korean capital also symbolises something entirely different for officials of Northern Ireland's main jobs promotion agency, the Industrial Development Board. Recognising East Asia's potential as a source for new investment, the IDB opened a new office in Seoul last year.

The move was part of a co-ordinated strategy to encourage new inward investment which is so vital to the economic well-being of a small regional economy. According to the IDB, established and new overseas companies invested £159m in Northern Ireland last year and accounted for 2,513 of new jobs promoted. Such statistics go against a general impression that international concerns are reluctant to invest.

Given years of adverse media coverage the task of attracting new overseas investment to Ulster has never been easy. The concentration on violence tends to overshadow the province's attractiveness as a business location. Periods of political instability and prolonged civil unrest undoubtedly undermine efforts to persuade foreign investors that the province has a lot to offer — not least of which is a highly attractive package of selective financial assistance.

Last year 12 new projects which will bring 867 jobs were finalised compared with the 415 and 224 jobs generated by new inward investment projects in 1986/1987 and 1985/1986 respectively.

The decisions by two leading software companies, McDonnell Douglas Information Systems and Capita (UK) to set up operations in the Belfast area were significant. Among new IDB projects was an agreement with Neotech Industries of Irving, Texas, to make digital pressure gauges at the Antrim Technology Park, an investment which will create 200 jobs.

The AVX Corporation, an American-owned company which is a world leader in multi-layer ceramic and hybrid surface mount capacitors, is a good example of a foreign company experiencing success. The company first invested in Northern Ireland in 1979 and since then has secured high rates of productivity and sales. Its Northern Ireland operation holds the company's productivity record and sales have increased from $4m to $40m in eight years.

The IDB's overseas promotion officers are the "front line salesmen" in the quest for internationally mobile investment projects. Specialists in charge of sector marketing campaigns in food processing, information technology and medical equipment provide targeted support in identifying investment opportunities.

The search for new investment projects is concentrated on the key areas of North America, Great Britain, Continental Europe and East Asia.

Considerable IDB resources have been devoted to the Far East campaign. As well as the Seoul initiative, an enlarged team in Japan has moved into a new office in Tokyo and organised a series of seminars for specially selected companies. An increased number of Japanese business visitors came to the province and were able to see the province's second Japanese investment, Canyon Europe, in operation.

The IDB's Hong Kong representative has been involved in forging close links with state business corporations in China and earlier this year Mr Peter Viggers, Northern Ireland Industry Minister, led the second IDB trade mission to China. Significantly, the first inward investment study mission from China took place when Miss Xu Yan, an official of the China Council for the Promotion of International Trade, spent two months in the province studying the province's economic infrastructure. The IDB is hopeful that its campaign in East Asia will be reflected in further investment projects in the coming months.

In Great Britain the Northern Ireland Business Centre received visits from more than 500 business contacts, and presentations on the province were made to more than 40 influential groups. In Europe a new office was opened in the World Trade Centre in Amsterdam which is being used as a base for the IDB's promotional work in the Benelux countries and France, investigations are continuing into Scandinavian investment opportunities, and in West Germany the IDB's presence in Düsseldorf has been doubled. The United States continues to represent a target area and the IDB has strengthened its network of offices in New York, San Francisco, Chicago, Boston and Los Angeles.

As well as focusing on the province's excellent track record in industrial relations and well-educated workforce, the IDB can also offer an impressive package of selective financial assistance. Capital grants of up to 50 per cent, depending on location, stocks of land and industrial premises, per capita employment grants, rent and interest relief grants, and management incentive grants for companies experiencing exceptional management recruitment problems, are just a sample of the incentives available.

Dozens of Northern Ireland's leading exporters have also been making strenuous efforts to tap new markets. This year the IDB is undertaking its 'most ambitious ever trade mission programme, taking Northern Ireland companies into the heart of some of the most challenging and dynamic market places in the world. The list makes impressive reading: Saudi Arabia, South Korea, China, Hong Kong, Japan, United States, Canada, Italy, Portugal, Denmark and Norway. It is indicative of the determination of local companies to use government help to exploit international marketing opportunities.

Jim Flanagan

Proposals for overhaul

Continued from Page 3

bank, the Northern, believes the industry is well-geared to meeting the challenges of the future. Mr Torrens says the segmentation of banking services is proving to be a major success, with corporate customers now having speedy access to professional financial management advice. "Special managers who deal personally with a selected portfolio of business customers are becoming commonplace. They provide expertise and a lot of work is done on the customer's premises. It leaves the individual branch manager free to deal with the day-to-day running of accounts and this has improved efficiency."

Specialist corporate banking centres are also providing a focal point for Government agencies engaged in producing financial packages for prospective companies. But the main talking point in the industry this year has been the work of the banking task force. In the search for progressive ideas and constructive proposals, the task force has acknowledged a number of important shortcomings in the industry.

While the emphasis was on the banks, its recommendations have implications for the wider financial services sector in Northern Ireland. The failure of banks adequately to promote and market the wide range of services available to business customers was identified as a major problem. "There is a need for positive action to improve this situation, which is damaging to morale, both in the banking sector and in the business community, and must discourage and restrict the development of an entrepreneurial society," the task force reported.

Northern Ireland is currently lagging behind the rest of the UK in terms of growth in the financial services sector. Even though modern telecommunications and deregulation of the financial market place has removed the need for concentration of development in the south-east of England, employment in the financial services sector on Northern Ireland rose by only 12 per cent between 1979 and 1986 compared to a Great Britain average increase of 34 per cent.

The disparity partly reflects the computerisation of banks during this period and the general state of regional economies, but it also suggests there is room for additional local employment.

The task force initiative has stimulated a frank and open debate about how best to meet the challenges of the future. Greater interaction between the banks and Northern Ireland's economic development agencies such as the Industrial Development Board and its "little brother", the Local Enterprise Development Agency (LEDU), is advocated as a matter of priority.

Other key recommendations include:

- Further interchanges of staff between the banks and appropriate areas of government on a two way basis;
- A series of seminars organised in centres across the province to enable government, local development agencies, banks and business people to exchange perceptions and techniques;
- Subject to appropriate confidentiality, consideration should be given to the possibility of the Government making sectoral information available to the banks;
- LEDU and the banks should collaborate to provide a common business information pack and agree a standard format for business plans to be drawn up with assistance under the Better Business Services Scheme;
- A package of intensive support for high potential companies operated by a banks/government partnership should be developed;
- Other financial institutions should follow the banks in increasing their advisory services and industry/education links being developed by government.

Various other ideas have also been floated by the task force including a re-examination by the banks and Government of the Loan Guarantee Scheme with a view to relaunching it on a collaborative basis. Further research is likely to focus on the extent to which funding by government agencies may be "crowding out" private sector funding, and the financial practices of businesses and their attitudes to new ways of raising funds.

Jim Flanagan

Belfast confounds the first-time visitor

A monument to resilience

The Belfast Grand Opera House has been restored to its former Edwardian splendour

"IF YOU want to make money in Belfast, be a glazier," the local joke goes. Over the last month there has been a series of bomb blasts in Belfast city centre, including one which shattered several stained glass windows in Belfast's Victorian City Hall. Within minutes of the explosions, life was back to normal.

Belfast confounds the first-time visitor. It is a monument to the resilience, stubbornness and drole humour of its people. Despite the bombs and the bullets and, perhaps most devastating of all, the ever-present spectre of unemployment, the centre of Belfast bustles: its Marks and Spencers is one of the chain's most busy stores in Britain. Nearly 200 restaurants have been opened in the city in the past five years. There is a thriving artistic life with plays and concerts regularly attracting capacity audiences. The Belfast Grand Opera House has been restored to its former Edwardian splendour.

Outside the city centre, life is rather different. In some pockets of the city like New Lodge in North Belfast, there is more than 70 per cent unemployment. Fences and security posts surround neglected streets. Five minutes drive and it is like two different cities.

One in three of Northern Ireland's population live in Belfast. This month, Belfast celebrates the centenary of the granting of the Royal Charter by Queen Victoria bestowing on it the status of a city. Mr Nigel Dodds, at 30 the youngest Lord Mayor not only in Britain but possibly in the Commonwealth, sees the centenary as an ideal platform to promote the city.

"It's a time to demonstrate that life goes on in this city: that despite the bombs people have won the city back and they are now looking to the future," says Mayor Dodds.

Throughout October a number of city-wide events have been planned, including the premier of a specially-commissioned play based on the city's development, an international cycling grand prix round the city centre, and a series of lectures on various aspects of Belfast history.

Politics is never far away in Northern Ireland: Sinn Fein, the political wing of the IRA, holds nine seats on the Belfast City Council. It describes the centenary celebrations as discriminatory and accuses the majority Unionists on the Council of ignoring nationalist areas of the city, a point bitterly contested by Mayor Dodds.

"Sinn Fein try to politicise everything. Its very presence on the City Council poisons local government," says Mr Dodds, a member of Mr Ian Paisley's Democratic Unionist Party. Sinn Fein, which earlier this year held its own festival in West Belfast, is boycotting the centenary celebrations.

For their part, the City Council's Unionists have waged, along with the rest of the Unionist community, a strident campaign against the 1985 Anglo Irish agreement. "Belfast says No" proclaims a banner on the City Hall. Because of the agreement, Council officials have no direct contact with Government ministers.

William Makepiece Thackeray, writing during a tour of Ireland in the 1840s, found Belfast "a place that seems devoted to preaching, politics and trade". Louis Macniece, Belfast born and one of Britain's great 20th century poets, described the city as "devout and profane and hard".

Belfast has a lot to be proud of in its history. A century ago it was the premier city in Ireland, the centre of what was the world's largest linen industry, involved in a whole range of enterprises from ropemaking to distilling to the manufacture of tobacco.

Its shipyards, centred on the giant Harland and Wolff yard, led the world in ship construction. Liners like the Oceanic and the ill-fated Titanic were Belfast built. The benches in the City Hall council chamber were carved by the same craftsmen who worked on the lavish interior of the Titanic. "That's why I climb up to the top of the City Hall each morning to check there are no icebergs coming," says Mr Dermot Megarry, Sergeant at Mace and the Lord Mayor's attendant.

While there has been a serious erosion of Belfast's industrial base, 28,000 of the city's workforce are still employed in manufacturing. In recent years, serious efforts have been made to tackle some of Belfast's most serious problems.

In many parts of the city there have been radical improvements. In some of the most troubled streets of West Belfast, houses have new roofs and neat-looking fronts. A 1979 survey found 25 per cent of Belfast housing in need of major improvement and 15 per cent unfit for habitation. According to the Department of the Environment, the body responsible for housing in the province, just under half of the £2.5bn spent on housing in Northern Ireland since 1981 has been allocated to Belfast. There have been 30,000 houses redeveloped: hundreds of new homes have been built and the number of houses considered unfit for habitation has been halved.

A Belfast enterprise zone, set up in 1981 along with 10 other such zones in the UK, has attracted more than 200 companies and well over 2,000 jobs. A £240m scheme to improve and develop derelict areas along a 1.5 mile stretch on the banks of the Lagan river, which flows through the city, is underway. Plans are ambitious: they include a "harbour village", a marina and waterfront housing.

Communications with Belfast have improved a great deal over the years. Belfast Airport has just started a £40m development programme and both domestic and international passenger traffic is at an all-time high. No one, especially its inhabitants, denies that Belfast has its problems. But with its hills and sea, it remains one of the UK's more pleasant cities, fiercely proud of its past and ever hopeful of a more peaceful future.

Kieran Cooke

NEW LODGE SCHEME

Co-operative plans

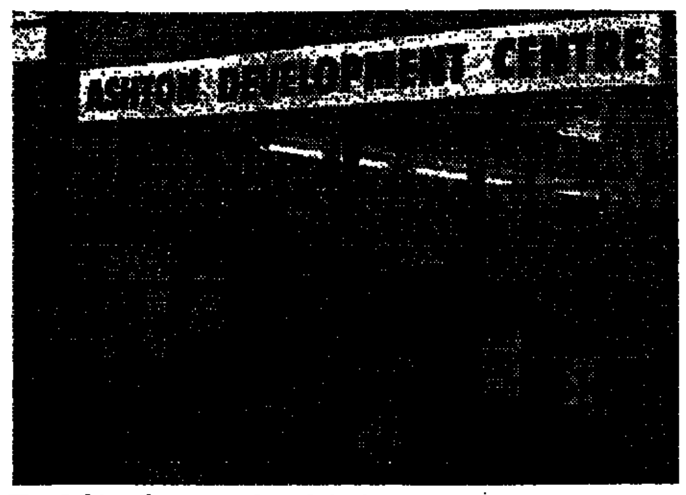
PEOPLE IN Northern Ireland are not battling each other all the time. Far from it: for the most part, Northern Ireland is a peaceful community. Often in those areas where there is conflict or deprivation, a variety of groups is trying to improve the situation.

A recent report described the New Lodge, a mainly Roman Catholic working class community in North Belfast, as an area of chronic multiple deprivation and impoverishment. New Lodge has a population of 5,700. Unemployment is more than 70 per cent and in the 18 to 25 age group, nearly 90 per cent.

The area has seen a great deal of civil unrest over the last 20 years and lacks many basic amenities. The security forces make regular raids. There is often rioting and there have been several sectarian attacks.

Now a scheme is underway which it is hoped will be a first step towards improving the lives of New Lodge residents. Plans are to build a multi purpose co-operative business centre on a derelict site in the middle of the area. While a substantial portion of the money for the project is likely to be provided by government, initial funding is being raised from New Lodge residents through a share ownership scheme.

Mr Seamus McAloran is a local community worker who has been fighting for more amenities for the New Lodge area for many years: "The centre will not solve all the problems, far from it. But it will be vital in getting people to believe that they can do things and improve things themselves; that despite everything they can succeed."



The Ashton Centre project: bringing confidence

The cost of the centre, which will eventually comprise a supermarket, retail units, an enterprise centre and industrial premises for small local projects, is estimated at £550,000. The share ownership scheme, launched last month, is designed to demonstrate to government, other outside agencies and the people of New Lodge themselves, community involvement and commitment to the project.

Every Friday night, officially-nominated collectors tour the New Lodge area. Each household is asked to contribute £1 to buy a share. The collections will go on for 35 weeks. To be full voting member of the Ashton Centre Co-operative, a minium of 35 shares must be held.

Mr McAloran says the response so far has been far better than anticipated. "On the first night's collection, covering only part of the area, we raised £1,000. That's a big achievement in an area where there is so much unemployment. People here are now talking about shares for the first time in their lives."

The target is to raise at least 10 per cent of the total cost of the project from local sources and from other agencies. The Roman Catholic Church has contributed £10,000 and approaches have been made to organisations such as The Ireland Fund.

The Belfast Action Teams, set up last year by the Department of the Environment to look at the problems of specific areas, have helped at various stages of the Ashton Centre project. Support and assistance has also come from other community projects: the Galliagh Co-op in Londonderry, which organised a similar share scheme in the early 1980s and is now a thriving enterprise, helped in planning and advising the Ashton Centre.

It is hoped that work on the Centre will start by the end of the year. No one claims the Centre will be a panacea for all the problems of New Lodge. But it will bring confidence and positive development to one of Belfast's most troubled areas.

Kieran Cooke

Agriculture is the province's largest industry

A more prosperous year

ULSTER FARMERS never count their chickens before they hatch, so if there is an air of optimism about recent improvements in the province's largest industry it is only felt as a mild breeze on the land. And if pundits point to a rise in farm incomes of over 80 per cent in the past year, others, much closer to agriculture, quickly put things into perspective.

According to the Department of Agriculture total, farm incomes in Northern Ireland rose from £62.2m in 1986 to £113.8m last year, a rise of 83 per cent.

Farmers leaders, however, stress that four years ago farm incomes were worth £130m and they emphasise also that in two successive years producers suffered significantly from a fall in returns.

"Partly because prices received by farmers for their produce increased by more than the unit costs of inputs, this represents rather more than just a return to normal from the weather-affected previous year," a senior official in the Department of Agriculture states. In real terms, farming income in the province was at its second highest level since 1978.

Lord Lyell, the minister responsible for agricultural matters in Northern Ireland, has now been long enough in the province – over four years – to be just as cautious about things as the farmers he meets on his travels.

"It is too early yet to say whether or not the significant recovery in farming income last year has been sustained in 1988," he says. "However, barring serious weather problems in the remainder of the year, I would be surprised if there is any marked reduction. Some sectors are obviously doing better than others. Returns to dairy farmers remain firm and throughout the year cattle prices have been significantly above 1987 levels.

"Despite somewhat lower market prices, profitability in the sheep sector remains good. Returns from pigmeat and egg production have been poor, however, and the industry faces higher feed prices as a result of the drought in the United States," says Lord Lyell.

On a more positive note, the minister points to the reopening of the agricultural development programme for the "less favoured areas" of the province and the fact that the strengthening of sterling has reduced MCA's – Monetary Compensatory Amounts – to low levels.

"The future will not be easy but in Northern Ireland we have an industry which is adapting well to the changes in EC policy and which is much more efficient than it was 10 years ago. The longer I am here the more I am convinced that the industry can face 1992

Continued on Page 6

The tourist industry struggles to promote the province

Blessed with outstanding beauty

THE JOB of promoting Northern Ireland as an attractive tourist region and an ideal holiday location does not become any easier. Few sectors suffer as adversely as tourism from the stigma of civil unrest and it remains to be seen how much permanent damage has been inflicted on the industry by the recent province-wide upsurge in violence.

What is clear is that outrages such as the murder of six British soldiers at a charity run in Lisburn do serious damage to the efforts of those engaged in promoting Northern Ireland's tourist qualities. Already growth estimates for the industry this year have had to be reviewed. Ulster's tourism chiefs are expecting nil growth for 1988, a fall of five per cent in numbers and a 2 to 3 per cent decline in revenue.

Pictures of carnage and destruction beamed to international audiences provide powerful, yet misleading, images of a region blessed with some of the world's most outstanding areas of natural beauty. The sad reality is that the breathtaking scenery of the Antrim coast or the province's top class recreational and leisure facilities never make headline news.

Exasperated Ulster holiday-makers abroad know only too well how easily the distorted views can travel. "A French family we got to know were totally amazed to learn that Ulster has a big tourist industry. They had only heard of the bombs and bullets," said one Belfast woman recently returned from Spain. Unfortunately it is a common misconception and there are limits to what can be done to redress the balance.

A bomb attack in the centre of Belfast two months ago caused damage estimated at around £4m — more than the Government sponsored Northern Ireland Tourist Board's annual budget for promoting tourism.

Ironically, Ulster tourism reached a pinnacle in 1987 with the number of visitors reaching its highest level in 17 years. The number of visitors rose by 116,000 to almost 940,000, or a 14 per cent rise, bringing £92m in revenue into Northern Ireland. A concerted campaign to attract Republic of Ireland residents started to pay off with a 33 per cent increase, giving a total of 347,000 visitors.

The North American slump of 1986 was overturned with a 19 per cent rise in visitors giving a total of 56,000 and the Great Britain market continued to strengthen with a 9 per cent increase giving a total of 481,000 visitors. One disappointment in an otherwise encouraging scenario was a 6 per cent drop in the European market and the tourist board is determined to redouble its efforts to compete with the lure of long-haul exotic destinations.

The figures confirm the Government's belief in the potential for growth in a sector of the economy which employs around 9,000 people. The industry was, until recently, on course to meet its promotional objectives and Government guidelines for 1990 of achieving 170,000 pure holiday visitors, total earnings from tourism of £95m, and 300 new jobs in the sector, are well within reach.

The Republic of Ireland is playing a crucial role in the board's promotional activities since 80 per cent of pure holiday visitors come to Northern Ireland either from or via the Republic. Research has shown that numbers were boosted by an intensive "Giant's Causeway" poster campaign and the strategy has been stepped up this year.

Research has also shown that the most profitable areas in which to promote Northern Ireland are Scotland and northern England. In Scotland general holidays are being promoted, while in England specialist holidays such as angling and golf are being emphasised.

As far as Continental Europe is concerned, the emphasis is on persuading holidaymakers to see the whole of Ireland, and the advantages of travelling via Scotland and Larne are being highlighted in a special campaign. The board is also focusing on cruising and fishing holidays.

In North America, too, the emphasis is on partaking of the whole Irish experience with the accent on the uniqueness of the Giant's causeway and the province's world class golf courses. In Australia, heritage links are being underlined and the province marketed as a necessary part of a British or Irish experience with the excellent transport links between Britain and Northern Ireland highlighted.

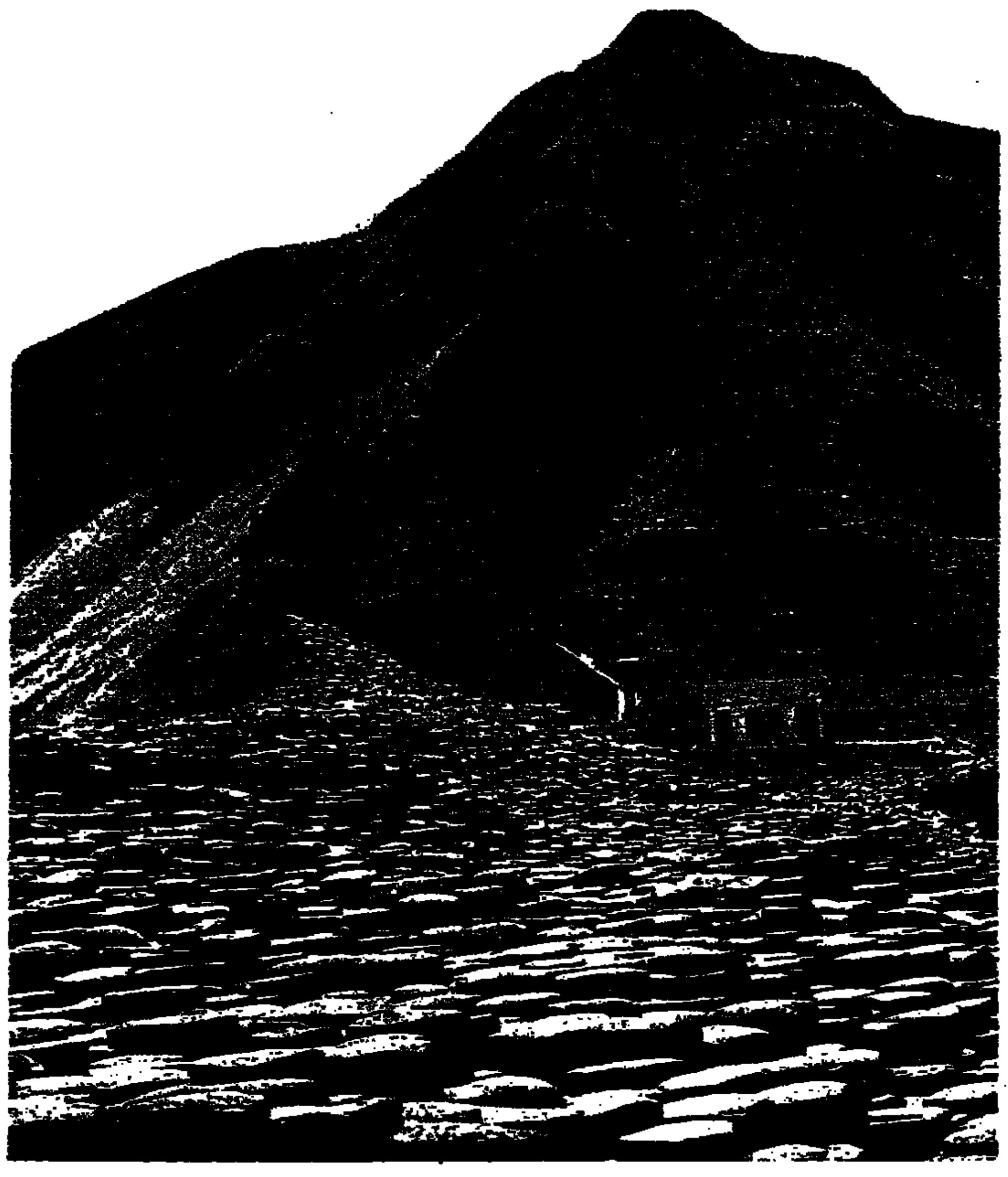
The board also recognises the importance of the home holiday campaign in Northern Ireland as more and more people opt for short breaks to supplement their main summer vacation. A wide range of projects have blossomed recently with financial help from the European Community.

Dr Dennis Kennedy, head of the European Commission office in Belfast, has no doubt of the importance of tourism to the local economy. "Across the province visitor centres, heritage centres, facilities for campers and caravanners and picnic sights have multiplied. All-weather facilities have been built, in modest acknowledgement of the fact that the sun does not always shine. The European Commission is happy to have contributed to the infrastructure of a tourist industry that will play an ever more important part in the economic development of Northern Ireland," says Dr Kennedy.

Throughout Northern Ireland's 26 council areas, local authorities are taking the initiative and providing attractive facilities to complement exciting developments being undertaken by the private sector. The Northern Ireland Aquarium opened at Portaferry last year attracted more than 100,000 visitors in its first 12 months. The International Fund for Ireland, set up with donations from the United States, Canadian and New Zealand governments, has also been supportive of local tourism initiatives.

A total of £6.2m has been allocated to the fund's tourism programme in Northern Ireland and a unique butterfly house at Seaforde, Co. Down, an equestrian centre on the Ards peninsula, and a caravan park at Ballycastle are just a sample of the wide range of schemes already grant-aided.

Jim Flanagan



Numbers have been boosted by an intensive 'Giant's Causeway' poster campaign

This golf club in Co. Down plans to extend its clubhouse facilities with a grant from the Northern Ireland Tourist Board. The province's world class golf courses are being promoted by the Board in England and North America

INTERNATIONAL FUND

Biggest contributor is US with $120m

QUESTION: what do a Co. Down Railway Society, the West Belfast Development Trust, a chemistry research centre at Queen's University, Belfast and a series of hotel improvement schemes in Co. Donegal have in common? Answer: they are representative of a wide range of projects which have attracted financial support from the International Fund for Ireland.

The fund, which is exempt from direct taxation and without precedent in Ireland, was set up by an agreement between the British and Irish Governments two years ago. Its remit covers the six counties of Northern Ireland and the six border counties of Donegal, Cavan, Monaghan, Sligo, Leitrim and Louth.

The area has a total population of around 2m and the fund is obliged to spend 75 per cent of its resources in Northern Ireland. The United States is by far the biggest contributor and has made payments totalling $120m with the promise of more to come. Canada has donated $1.5m, New Zealand a one-off payment of $300,000, and there is the likelihood of European Community funding in 1989.

The fund's objectives are to "promote economic and social advance and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland". It pursues these goals primarily by supporting specific projects judged likely to stimulate private sector investment in economic regeneration. The US directed that its contribution should be used for the stimulation of growth in the private sector, while Canada asked for its donation to be used for youth training and exchange.

Mr Charles Brett, the fund chairman, makes it clear that while it is true that the establishment of the fund derives from the Anglo-Irish Agreement, the fund itself "is in no way political". Although the sum of £76m is sizeable, it represents only about a quarter of the combined budgets of the Industrial Development Agencies in Northern Ireland and the Republic in one year alone.

There are limits to what can be achieved, bearing in mind that the fund received 2,600 applications for assistance in the first three months after it was set up. Already there have been criticisms that the Fund's criteria are so narrow that projects worthy of support have been disqualified and that areas of greatest deprivation have been neglected.

Keen to demonstrate its commitment to deprived areas, a review of fund priorities last month resulted in additional funds being earmarked for social and economic regeneration in disadvantaged areas. Based primarily on unemployment rates, it is felt that about 35 per cent of people in Northern Ireland live in areas to be accorded a measure of priority including much of the cities of Belfast and Londonderry and several rural environments.

Among specific measures are a special budget allocation of £3m for a community economic regeneration scheme, and a further £8m for special projects in areas which might not satisfy existing criteria.

The board which administers the fund considers it axiomatic that it should not substitute money derived from the taxpayers of donor countries for the money of British or Irish taxpayers. This general principle is particularly significant in view of the wide range of grants and loans available from economic development agencies and the European Community. The board also prefers to support a large number of smaller projects rather than a small number of large ones and only in exceptional circumstances would contemplate investing more than £1m in any one project.

The board prefers a larger number of smaller projects

The fund is administered along the broad outline of seven key programmes, each with a specified budget. As required by the fund agreement, two investment companies, each with a fully paid up share capital of £5m, are operating out of Belfast and Dundalk. Their task is to identify the capital needs for ventures of existing or new industrial and commercial enterprises and to provide, on sound commercial criteria, equity capital or loans.

The other main programmes and their accompanying sterling budgets are: Business Enterprise (North £9.8m, South £4.0m); Tourism (North £8.7m, South £5.3m); Urban Development (North £7.9m, South £1.6m); Agriculture and Fisheries (North £2.2m, South £0.8m); Science and Technology (North £5.0m, South £1.5m); and Wider Horizons (£5.8m).

In addition the fund is also supporting selected special projects, including a feasibility study on the development of the historic Navan Fort site and a youth enterprise scheme to help young people set up in business.

A significant number of projects have already been implemented and to date around £33m has been committed to schemes. The initiatives range from self-help enterprise schemes and town centre revitalisation projects, to tourism amenity programmes and funding for a fisheries research vessel in the Irish Sea. The Wider Horizons programme provides for shared experiences by people from both sides of the border and covers management, skilled workers, students and young people.

While no one is naive enough to believe that money can buy peace, discord, conflict and violence flourish in conditions of economic instability and it is hoped that the International Fund's efforts may help provide a foundation on which a more prosperous, and ultimately peaceful, society can be built.

Jim Flanagan

A year of greater prosperity

Continued from Page 5

and the future with confidence," says Lord Lyell.

Norman Shaw, president of the Ulster Farmers Union and currently chairman of the influential Oxford Farming Conference — the first Ulsterman to fill the office — is worried about the Government's proposed cuts in research and development. Mr Shaw claims such cuts would damage the long-term interests of every sector of Northern Ireland agriculture.

"In an agricultural region like ours these cuts are very much against the long-term interests of the whole country. Research is absolutely critical to help reduce production costs, to improve the quality of the product and to maintain our competitive position. These cuts will almost certainly lead to us losing much of our market to imports," says Mr Shaw.

The volume of agricultural output in Northern Ireland remained virtually unchanged in the past year with the effect of increased sales of most commodities being balanced by lower marketing of fat cattle and pigs, and a substantial drop in the numbers of livestock on farms at the end of the year.

Substantial price increases for beef, sheepmeat and eggs more than offset reductions for cereals, fruit and poultrymeat to give an increase of 3 per cent in the average producer return for all outputs. With the volume of output unchanged, the value of gross output also rose by 3 per cent to £775.5m.

The volume of material and service inputs used by the agricultural industry fell by over 7 per cent in 1987, mainly because farmers purchased considerably lower quantities of fertilisers and feedingstuffs and imported fewer livestock. The average unit cost of all inputs was said to have risen by less than one per cent.

Although the total number of beef cattle marketed dropped by over 3 per cent last year, a significant improvement in fat cattle prices and an increase in average carcass weight raised the value of output by over 2 per cent to £264m. Any increase in the value of farmers returns from fat cattle sales was offset to a large extent by a drop in stocks of cattle on Ulster farms at the end of the year. This fall in numbers is taken to reflect decreased indigenous supplies from a contracting cow herd, increased exports of store cattle and calves, and a reduction in the number of store cattle imported from the Irish Republic in the earlier year.

Weather conditions during the year were very favourable for milk production and yields reached their highest level since the introduction of milk quotas four years ago. Although the number of dairy cows continued to fall by 2 per cent, output of milk for the calendar year exceeded the 1986 level by 16 million litres, or 1.2 per cent.

The spotlight has been on the Northern Ireland Milk Marketing Board recently, following the High Court ruling that it must end its purchasing monopoly. Dairy farmers in Northern Ireland and throughout many other parts of the United Kingdom will be awaiting the outcome of the appeal which the MMB is said to be lodging against the decision. If the Board loses the appeal the consequences could be far-reaching.

Sheep farmers continued to expand production, recording an 11.4 per cent increase in their breeding flock. Export demand, particularly from France, continued to boost market prices which reached record levels in 1987 with returns for sheep and lambs averaging around 15p per kilogram more than in 1986. These higher prices, coupled with the increased level of marketings, resulted in a 22 per cent rise in the value of output to £36.9m.

In the pigs sector a further decline in the breeding herd to just over 60,000 head was reflected in a reduction of nearly 4 per cent in producers' receipts which stood at £73m.

In the poultry sector egg production witnessed an upturn against the steady downward trend of previous years. Poultrymeat production continued to expand, the volume of output rising by over 4 per cent.

Farmers planted more potatoes and, despite the fluctuations of the market, they were able to show a 17 per cent increase in total value of output. Cereal yields were much higher than in the previous years and total grain production was estimated to have risen by almost 13 per cent.

There was little change in the level of farmers' borrowings for agricultural purposes last year, but with interest rates falling by 2.5 percentage points over the year, the estimate of interest payments made by farmers decreased by 9 per cent. It was estimated also that the value of total capital investment had fallen by 7 per cent.

All in all, it was a more prosperous year for Northern Ireland agriculture after the difficulties experienced in the previous two years. Farmers, however, have good memories and can recall without any difficulty how an annual income level of £130m four years ago dropped suddenly to £62m in two short years. So they do not shout too loudly about how good things have suddenly become on the land. And they certainly do not count any unhatched chickens.

Michael Drake

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 19 1988

INSIDE

Air New Zealand goes on the block

The New Zealand Government of David Lange (left), yesterday put its state air carrier, Air New Zealand, up for sale in its entirety after scrapping negotiations with the Australian airline Qantas, which had been its preferred purchaser of a 25 per cent stake. It is intended that 65 per cent of the airline's equity will be retained permanently in New Zealand through the creation of a special "kiwi" class of share. British Airways is considered a main contender for the purchase. Page 31

No longer fields apart

Henri Nallet, the French minister of agriculture, meets his British counterpart, John MacGregor, in London today to resolve key farming policy issues. Britain and France have been long standing protagonists when it comes to agriculture, but the two countries have found themselves increasingly on the same side in farm negotiations in Brussels. Bridget Bloom meets the French minister and examines the growing convergence of views. Page 46

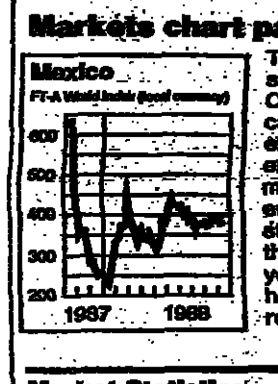
Paterson profits fall 27%

Paterson Zochonis, the toiletries and detergent company which makes Imperial Leather soap, saw full-year pre-tax profits fall 27 per cent to £24.2m ($42m), mainly reflecting depressed economic conditions in West Africa. Reduced purchasing power in its main market, Nigeria, stemmed from the government's deflationary policies. Page 37

Another capital idea

Perpetual capital notes have come a long way since their first appearance in 1982 from Puerto Rico and have now been warmly embraced by French state-owned companies. The chemical group Rhone-Poulenc started the ball rolling with a $1.3bn issue which was quickly followed by a $350m issue by Credit Lyonnais, the state-owned bank. George Graham in Paris reports on the growing French appetite for these notes and how the fiscal authorities are responding. Page 33

Markets chart path to recovery



The aftermath of the stock market crash last October is still being calculated. Some exchanges have recovered the ground lost more quickly than others, with the Mexican stock market showing the best advance this year. Other bourses, however, have proved robust. Page 50

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				CSEE	620	+	45
Rises				Vallourec	196	+	13.5
Daimler	732.5	+	19	**Falls**			
Linde	708	+	18	Sogeap	275	−	10
Mannesmann	186.2	+	4.4	Sovac	660	−	20
Falls				**TOKYO (Yen)**			
Nixdorf	416	−	5	**Rises**			
NEW YORK ($)				Bank of Kyoto	1930	+	280
Rises				Nichimen	1040	+	200
Kraft	88¾	+	28½	Sumitomo Osaka	1460	+	100
MCI Comm.	22	+	1	**Falls**			
Time Inc.	118⅞	+	8½	Nippon Tsusho	1350	−	150
Falls				Yokohama Mat	1000	−	100
Philip Morris	95	−	5	Yuasa Batt	620	−	45
TRW	45⅞	−	1⅝				
Warner-Lambert	72½	−	4⅛				
PARIS (FFr)							
Rises							
BIS	2347	+	232				

New York prices at 12.30.

LONDON (Pence)				Plessey	169	+	5
Rises				Storehouse	193	+	5
Argyll Grp.	177	+	4	**Falls**			
Booker	413	+	10	Allied-Lyons	403	−	7
Brooke Ind.	444	+	11	Cons Gold Flds	1212½	−	12½
Coalcon	272	+	5½	Eng China Clay	512	−	10
First Nat.Fin.	224	+	6	Gateway Corp.	175	−	6½
Ferranti	293½	+	7½	Nat. West.	549	−	8½
Lasmo	374	+	11	Parkfield Grp.	314	−	8
Law & Bonar	227	+	6	Polly Peck Int	315	−	9
Macarthy	251	+	14	Rotaprint	263	−	7
Mersey Dk. Units	394	+	11	Scott & New.	395	−	10
Meyer Int.	461½	+	10½				
Photomaxs	224	+	5				

Round-up time in Marlboro country

Anatole Kaletsky examines the logic behind Philip Morris's $11bn takeover bid for Kraft

Next time you are at a dinner party and the conversation is flagging, try asking the following question: what is the second most famous painting in the world? Everyone puts the Mona Lisa in the number one position, but endless controversy ensues about the runner up. Now, try a business variation of this game. What is the second most famous consumer brand in the world?

Coca-Cola has long been acknowledged as the world leader. And since the mid-1950s, when the familiar Marlboro cowboy made his first appearance on television screens and hoardings around the world, the second position has been almost as easy to agree on. Marlboro, the best-selling cigarette in the non-communist world, has unquestionably been one of the greatest marketing successes in the post-war era.

It has shot Philip Morris from a middling position in the US tobacco industry in the 1950s to unchallenged dominance of cigarette making around the globe. In the process, it has made Philip Morris, with its $22bn of sales net of excise duties, the second biggest consumer products company in the world, after Unilever – and, with its $1.8bn of after-tax earnings, the most profitable.

It has also presented the company's management, led by its Liverpool-born chairman, Mr Hamish Maxwell, with a gigantic challenge: how to repeat the Marlboro miracle in some other business whose future is not blighted by the medical, demographic and legal problems which have doomed the tobacco industry to a slow but probably irrevocable decline.

While Mr Maxwell, a chain smoker himself, would be the last person in the world to acknowledge the long-term demise of the tobacco industry, it is only against this background that one can analyse his record-breaking $11bn bid for Kraft, announced on Monday night.

Kraft is undoubtedly a good business, especially now that it has been shorn of the dubious non-food operations which it acquired in 1980 in its own controversial attempt to diversify. The six-year-old merger with Dart, the consumer products group, was dismantled in 1986.

But whether it is really worth a price of $11bn or $90 a share is another question, at least for any bidder not facing the problems of Marlboro's unstoppable success.

Wall Street's scepticism on this score was well reflected in yesterday morning's stock market action, in which Kraft's shares jumped $28 but settled at $88¾, somewhat below the Philip Morris bid. As in the case of Grand Metropolitan's recent $5.1bn bid for Pillsbury, another US food manufacturing giant, most analysts were at a loss to see why any other bidder might step in to top the offer for Kraft, which was worth 26 times the company's earnings in the past 12 months.

For Mr Maxwell, however, 26 times earnings obviously seemed a reasonable price to pay for another shot at his long-standing ambition to transform Philip Morris from a tobacco company into the world's biggest marketer and producer of branded consumer goods. Unfortunately for these ambitions, though fortunately perhaps for Philip Morris shareholders, the company's continuing phenomenal success with tobacco has created a financial treadmill on which Mr Maxwell must run faster and faster just to keep his company from being dominated by its own cigarette interests all over again.

When Philip Morris paid $5.8bn in 1985 to buy General Foods, at that time America's biggest independent food processor, it already seemed set to overtake Unilever in annual turnover. More importantly, it appeared that the hopes of expanding the non-tobacco business to more than 50 per cent of total sales would be achieved at a stroke.

A little more than three years later, the growth of General Foods has proved disappointing at only 3 per cent annually. Miller Brewing, the beer company which Philip Morris bought in 1970 in its first much-acclaimed attempt at diversification, has stalled. Miller, which shot from seventh to second place in the US brewing industry with the help of Philip Morris's legendary marketing prowess and even more impressive supply of advertising and promotion dollars, has shown virtually no growth for more than five years and has almost given up on its earlier ambitions of displacing Budweiser as the leading American beer. And Seven-Up, the soft-drinks business Philip Morris bought in 1978, was sold in 1986 at the same price the tobacco giant paid for it.

All this time, the cigarette business has continued to go from strength to strength.

As a result, in 1987 tobacco still accounted for 53 per cent of Philip Morris's total sales and 77 per cent of operating profits. With surplus cash streaming out of the company at a rate of more than $2bn annually, the temptation of taking a second bite out of the food industry cherry was obviously hard to resist.

With the addition of Kraft's revenues, which were $9.7bn in 1987, but are running so far this year at a rate of $11bn annually, to General Foods' sales of $10bn, Philip Morris would finally overtake Unilever in total turnover and almost equal Nestlé.

Out to widen the range: Hamish Maxwell, chairman of Philip Morris, faces the challenge of repeating tobacco successes

Schroders offers to buy Fl 300m stake in Fokker

By Laura Raun in Amsterdam

SCHRODERS, the UK merchant bank, has offered to take a Fl 300m ($147m) debt or equity stake in Fokker of the Netherlands if the Dutch Government will limit its ownership of the aircraft maker.

Fokker met Economics Ministry officials last night in a bid to dissuade them from raising the Government's stake of 16 per cent to 49 per cent through another rights issue.

The Hague has the right to buy up to 49 per cent under a Fl 212m rescue package arranged last year but got only 16 per cent in an earlier issue because outside investors snapped up shares in the recovering aerospace company.

The meeting last night and further negotiations today will determine much of the future of the short to medium-haul aircraft manufacturer and affect the reorganisation of the European aerospace industry.

Fokker is now rebounding from serious production delays in its 50-seat Fokker 50 propfan and 100-seat Fokker twinjet, which caused losses of Fl 107m in 1987.

Schroders is understood to have offered to buy Fl 300m in new shares, giving it about 65 per cent of the enlarged share capital, or the same amount in subordinated convertible debt. The participation would be in anticipation of an eventual merger, possibly with Messerschmidt-Boelkow-Bloehm of West Germany or Short Brothers of Northern Ireland.

MBB already makes fuselages for the Fokker 100 and signed a collaborative pact with Fokker last year in which the two would seek ways of further co-operating. Shorts makes wings for the Fokker 100 and is scheduled for privatisation by the UK government.

During the financial rescue, Fokker was ordered by The Hague to find a commercial partner and has conceded that huge development costs make survival alone nearly impossible.

Nevertheless Fokker, which had no Government ownership until this year, wants to determine its own future with minimum government meddling. The Christian Democrat-Liberal government's plan to raise its stake contradicts its privatisation policies and reflects Economic Ministry worries about altering its bailout plan.

Ever since the initial rights issue last spring Fokker has said it opposed further involvement by the centre-right government, which has provided more than Fl 900m in development credits. The company is feeling much healthier now that it moved back into the black with a Fl 4.3m profit in the first half and forecasts of a profit for 1988.

Bond acquires over 4% of Lonrho

By Nikki Tait and Ray Bashford in London

LONRHO, the international trading group headed by Mr Tiny Rowland, said yesterday that it understood that 4.13 per cent of its shares had been acquired by companies associated with the Bond Corporation, the Australian group headed by Mr Alan Bond.

Lonrho added that it believed a much smaller stake – some 4m shares or just under 1 per cent – had also been accumulated by Mr Holmes à Court, another Australian entrepreneur.

In a seperate announcement, Mr Asher Edelman, the US corporate raider, said that he had sold his entire interest in Lonrho. This was last estimated to account for about 4.75 per cent of the equity. Mr Edleman said the shares had been sold in the market-place, and not to either a single private buyer or to the company itself. His office declined to say when the transaction took place.

The net result of the various developments was another day of heavy trading in Lonrho shares in London. According to Seaq, the screen-trading system, around 67m shares were traded. Allowing for two-way business, this suggests that as much as 7 per cent of the company's equity may have changed hands. The shares rose 11p to 374p.

Both the arrival of Mr Bond and the departure of Mr Edelman seemed to surprise the Lonrho camp. Confirmation of the Bond interest follows buying by Merrill Lynch, the US investment house, last week. Lonrho says that it has learnt from Merrill that, by the close of business last Friday, the bank was holding 18.75m shares on behalf of Hurtsmere Finance. of the Cook Islands, and that two companies within the Bond Group are associated with this holding.

Lonrho added that it was making further enquiries under section 212 of the Companies Act – which allows companies to ascertain the beneficial owners of their shares – to establish the full extent of the Bond interest.

The company said there had been no contact with Mr Bond since this discovery, but added that he and Mr Rowland know each other fairly well – to the extent of having dinner together two weeks ago. There was no indication then, says Lonrho, that this purchase was planned.

A spokesman for Bond in London declined to elaborate on the Lonrho statement. It is understood that the stake has been acquired during the past month.

Apart from the Lonrho stake, Bond has significant minority holdings in Allied-Lyons (11 per cent), M&G (13.7 per cent), Standard Chartered (14.9 per cent) and TV-AM (14.9 per cent). He inherited the Standard Chartered stake through the takeover earlier this year of the Bell Group, headed by Mr Holmes à Court who suffered heavily during last year's stock market crash.

Maxwell wins injunction on KKR bid for Macmillan

By Roderick Oram in New York

MR Robert Maxwell, the British publisher, won a preliminary injunction yesterday preventing Kohlberg, Kravis, Roberts, the management buy-out specialist, from completing its tender offer for Macmillan, the US publisher.

The Delaware court ruling kept alive Mr Maxwell's fight for Macmillan after he received a serious legal setback on Monday. The injunction will give him time to appeal to the Delaware Supreme Court against the refusal by a lower court to bar several aspects of KKR's offer which would block Mr Maxwell's offer.

Mr Maxwell had asked the court to disallow a "lock-up" provision under which KKR would pay $860m for four divisions of Macmillan if its offer for the whole company lost to another bidder.

Judge John Jacobs said the auction for Macmillan was seriously flawed because KKR had raised its bid after hearing from Macmillan's financial advisers and management of a higher offer from Mr Maxwell. None the less, the judge let the lock-up provision stand because he was satisfied that Mr Maxwell had been given the opportunity to make his best bid.

Mr Maxwell subsequently raised his offer to $90.25 a share cash, against KKR's $90.05 in cash and paper, but the lock-up provision effectively thwarted him. If KKR bought the divisions, Mr Maxwell would face some $250m in taxes on the proceeds from the divisions' sale if he tried to buy the rest of the company.

Mr Robert Pirie of Rothschild, Mr Maxwell's New York financial adviser, said he found Judge Jacobs' decision "very puzzling" because it would allow, if upheld by the Delaware Supreme Court, Macmillan to be sold to the lower bidder.

By letting the lock-up provision stand, Judge Jacobs had cleared the way for KKR to complete its tender offer for all of Macmillan. Both the publisher and KKR were elated at the ruling. The latest injunction prevents completion of the offer, though, until the Supreme Court acts. If it decides to hear the appeal, a ruling might take several weeks.

On another issue, Judge Jacobs overturned Macmillan's poison pill shareholders' rights plan, saying there was no valid reason to keep it in place as a block to Mr Maxwell's offer.

Pillsbury rejects GrandMet offer

By James Buchan in New York

PILLSBURY, the Minneapolis food and restaurant group, yesterday rejected a $5.23bn offer for its business from Grand Metropolitan of the UK, and said its present strategy would provide shareholders with better long-term returns.

The company, which is struggling to stabilise its management and tackle problems in both its main businesses, said that the $60-a-share offer from the British brewing, spirits and food group was too low.

Mr Philip Smith, who took over as chairman of Pillsbury in July, after six months of management turmoil at the company, said in a letter to shareholders: "Now is not an appropriate time to sell the group. Remaining independent would be a superior alternative over the long term to accepting the GrandMet offer."

Pillsbury said it would ask its legal and financial advisers to seek other ways of protecting the interests of the company and its shareholders. Mr Smith said the company was talking to third parties and might consider a management buy-out.

But yesterday's statement had a lukewarm reception on Wall Street, where institutional investors are impatient with Pillsbury's handling of its Burger King restaurant subsidiary – which is losing market share – and some of its food brands.

In its statement yesterday, the company said it had appointed Mr Jerry Levin, a former Pillsbury head of corporate development, as the new chairman of Burger King.

At Prudential-Bache, the Wall Street brokerage firm, Mr John McMillin, a scathing critic of Pillsbury, said: "I've got to believe that the company is doing something for shareholders, but you wouldn't believe it from this press release."

Lisa Wood adds: Mr Allen Sheppard, GrandMet's chairman, said he was surprised by the Pillsbury board's conclusion that the $60 per share offer was inadequate. He described it as a "full and fair" offer.

Mr Sheppard said: "Our price represents more than 50 per cent over the Pillsbury market price prior to the announcement of our offer."

US drug groups register strong improvements

By James Buchan in New York

US PHARMACEUTICAL companies yesterday reported solid improvements in earnings for the September quarter, thanks to the strength of a number of high-priced new drugs and favourable exchange rates overseas.

Leading the pack as it has done for three years, Merck reported a 31 per cent jump in third-quarter net income to $311.8m or 79 cents a share. The Rahway, New Jersey company, which is enjoying great success with a new class of cardiovascular medicines, saw sales increase 12 per cent to $1.47bn on strong unit growth in the US and overseas.

At the nine-month stage, Merck's earnings were 33 per cent ahead at $899.5m or $2.28 a share on the back of a 20 per cent gain in revenues to $4.41bn. Merck said that favourable exchange rates flattered sales growth by 2 percentage points and earnings by 4 percentage points.

Eli Lilly, which this year launched a new antidepressant and an ulcer drug, said its earnings rose 19 per cent in the third quarter to $171.4m or $1.20 a share from continuing operations. Sales rose 7 per cent to $904.6m.

At the nine-month stage, the Indianapolis company reported earnings 18 per cent ahead at $585.3m or $4.08 a share on an 11 per cent sales improvement to $3.08bn.

Warner-Lambert and American Home Products, which have large consumer products businesses, reported slower earnings growth. Warner-Lambert was 16 per cent ahead in both earnings and sales in the third quarter, to $87.7m or $1.29 a share and $1.03bn. Sales of pharmaceuticals were 16 per cent ahead, with a 13 per cent increase in non-prescription drugs. After nine months, Warner-Lambert earnings were 14 per cent higher at $263m or $3.86 a share on sales of $2.9bn.

American Home earnings rose 11 per cent in the September quarter to $240.7m or $1.65 a share, with sales up 9 per cent at $1.42bn. Nine-months earnings improved by 10 per cent to $693.5m or $4.75 a share on the same increase in sales to $4.20bn.

Sharp fall at Morgan Stanley

By Janet Bush in New York

MORGAN STANLEY Group, the blue-chip US investment bank, yesterday reported sharply lower earnings in its third quarter and simultaneously announced a plan to buy back $100m worth of its common shares.

It said that its latest quarterly performance had been satisfactory against a background of financial markets which lacked real volume or direction during the period.

The company announced net income of $52.4m or $1.96 a share for the three months ended September 30, compared with $72.9m or $2.82 a share in the same period last year.

It had earned $135.3m or $5.28 a share in the second quarter of 1988, but much of this was derived from a single leveraged buy-out transaction involving Cain Chemical. There were already signs of a sharp drop in commission-earning business and a decline in revenues from investment banking in the second quarter.

The sharply lower third-quarter results reflected reduced principal transactions and commission revenues and a smaller underwriting calendar.

Mr S Parker Gilbert, chairman, and Mr Richard Fisher, president, said in a joint statement: "Investment banking revenues from mergers, acquisitions and corporate restructurings were strong and Morgan Stanley continued to maintain profitable momentum in its global foreign exchange and commodities businesses, and in asset management."

Net revenues in the third quarter totalled $423.8m, compared with $502.9m a year earlier.

Consolidated net income for the nine months ended September 30 totalled $286.3m or $11.11 per common share with net revenues amounting to $1.61bn. Comparable results for the first nine months of 1987 were net income of $199.6m, earnings per share of $7.83 and net revenues of $1.43bn.

Books division boosts Time Inc profit

By Robert Vincent in New York

TIME INCORPORATED, the US media group, pushed up net income in the third quarter after strong performances by the books group, a first-time dividend from its investment in Turner Broadcasting System and a lower tax rate.

The third quarter net rose to $81m or $1.42 a share from $74m or $1.24 in the same period last year. Revenue went ahead to $1.13bn from $1.1bn.

In the nine-month period the group recorded another advance, taking earnings to $231m or $4 a share from $198m or $3.3 last time on revenue up to $3.3bn, against $3.05bn.

Time said this year's figures include a $19.9m or 17 cents a share pre-tax charge for American Television & Communication's reorganisation, and the relocation of its executive office. The year-ago figures include a $15.3m or 14 cents pre-tax gain from the sale of Discover magazine.

The company said that excluding the two items in the comparative quarters and the Turner dividend, this year's third-quarter profit would have increased sharply, with earnings per share up 38 per cent.

Alcan income increases by 111%

By David Owen in Toronto

ALCAN, the large Montreal-based aluminium producer, yesterday reported a spectacular 111 per cent increase in third-quarter earnings.

The company attributed its performance to continued strong market conditions and prior cost-cutting measures.

The results closely parallel those recently announced by Alcoa, Alcan's arch rival. The Pittsburgh-based company last week reported quarterly earnings up 168 per cent at $226.3m.

Overall, the Canadian company's third-quarter income totalled US$258m or $1.61 a share. This compared with $122m or 72 cents a share in the corresponding year-earlier period. Operating revenues, meanwhile, rose a more modest 26 per cent to $2.16bn, from $1.71bn in 1987.

For the nine months ended September 30, earnings reached an impressive $676m or $4.14 a share, against $297m or $1.71 a year earlier.

Revenues rose to $6.31bn from $4.93bn. This was despite a relatively slim 5 per cent year-on-year increase in aluminium shipments to 1.72m tonnes from 1.63m in 1987.

Mr David Culver, chairman and chief executive, noted that with the third-quarter results, Alcan's net income for the year already stands at record high levels.

"However, this level of profitability is what we require at this time to meet our corporate objectives," he added.

Earnings from operations throughout America and in the Pacific outstripped levels attained in the preceding quarter. European operations, by contrast, posted a quarterly earnings decline, due to seasonal summer weakness.

● In a move designed principally to repay indebtedness incurred in the recent C$560m (US$466.7m) takeover of rival Algoma, Dofasco – the Canadian steelmaker – is to sell 4.5m shares to underwriters. The stock will be resold to investors at C$27¾ a share. Net proceeds to the company will be approximately C$120m.

Citicorp makes steady progress

By Robert Vincent in New York

CITICORP, America's biggest commercial banking group, reported a further strong advance in the third quarter, reflecting continued progress across all the company's businesses and improved cost control.

The bank lifted net income to $394m or $1.13 a share, compared with the adjusted results for the same period of last year when earnings came out at $226m or 71 cents. Revenue stood at $3.1bn, against $2.9bn.

The year-ago figures exclude the impact of the $3bn addition to the reserve for possible losses on Third World lending, tax benefits and other related transactions.

At the nine-month stage the group took earnings to $1.1bn or $3.17 per share, against an adjusted $778m or $2.51, on revenues ahead 8 per cent at $9.3bn.

The bank said that it has been continuing to reduce its portfolio of loans to Third World countries. The portfolio was reduced to $12.1bn at September 30 from $14bn a year ago, at a cost to the reserve of $430m.

As at end-September the bank said that it had received $344m in interest payments from Brazil which had not yet been recognised. These and further payments are expected to be recognised once the Brazilian financing programme is finalised in the fourth quarter.

Individual banking and institutional and investment banking both registered increases compared with the year ago quarter. Individual bank net income went up by $24m to $172m with card business showing strong growth.

Institutional and investment banking earnings jumped to $213m in the quarter from $70m last time, excluding the effects of the $3bn provision.

Third quarter operating expenses were $2.2bn, up 5 per cent on the same period last year. At the end of the current quarter, Citicorp's total capital stood at $24.2bn or 11.3 per cent of total assets of $209.2bn.

● Wells Fargo, the California-based bank which acquired Barclays Bank of California earlier this year, reported a downturn in net earnings for the third quarter. The bank saw earnings fall to $131.7m or $2.36 a share from $155m or $2.77 for the same period last year.

But the bank said that if a tax benefit concerning the loss allowance on loans to developing countries is excluded from the 1987 figures, then the latest quarter earnings show a 30 per cent increase on the previous period.

At the nine-month stage the bank recorded earnings of $376.6m or $6.75 a share, against a $60.4m loss for the year-ago period. It said that the acquisition of Barclay's California unit in May did not have any material effect on the quarter or nine-month results.

Analysts consider that Wells Fargo has been "fairly aggressive" in charging off and selling off loans to developing countries.

In the latest quarter its provision for loan losses stood at $75m, unchanged from a year ago, and domestic and foreign charge-offs amounted to $57.7m for the quarter.

The bank has reduced its portfolio of foreign loans during the quarter through the sale of developing country loans.These sales resulted in a charge of $369.3m against the allowance for loan losses.

Loan sales were substantially responsible for a net reduction of $752m in medium and long-term loans to developing countries, resulting in $518m of such loans at September 30. Loans to developing countries amounted to 1.7 per cent of assets.

At September 30 the company's total loans were $36.9bn, compared with $36.3bn at the same time last year. The allowance for loan losses amounted to 2.31 per cent of total loans, against 3.18 per cent at June 30 and 3.58 per cent on September 30 last year.

Buoyant returns from Abitibi

By David Owen in Toronto

ABITIBI-PRICE, the world's largest newsprint producer, has reported a 35 per cent increase in third-quarter profit due to higher prices and buoyant demand. The improvement was achieved despite unfavourable currency fluctuations.

In all, third-quarter income totalled C$44.5m (US$37.1m) or 61 cents a share, against C$33m (45 cents a share) a year earlier. Revenues edged up by 8.5 per cent to C$813.4m, from C$749.8m in 1987.

For the nine months ended September 30, earnings were C$143m or C$1.98 a share on sales of C$2.45bn. This compared with C$91.1m or C$1.23 on sales of C$2.2bn in the corresponding 1987 period.

The Toronto-based company, which is part of the Reichmann brothers' property and resources empire, has been hit by the recent appreciation of the Canadian dollar against its US counterpart. It is heavily dependent on the US market for sales. In a bid to reduce its vulnerability to exchange rate fluctuations, the company has embarked on projects that offer low costs of production in other countries, entering joint ventures to build mills in both Venezuela and Alabama.

Mr Bernd Koken, chairman, projected that Abitibi's paper mills would "continue to operate at capacity for the balance of the year."

"We anticipate that 1988 will be a record earnings year", he added.

Meanwhile, Mr Marshall "Mickey" Cohen has resigned as president and chief operating officer of the Reichmanns' Olympia + York Developments to become president and chief executive of Molson, the C$2bn Canadian brewer.

The highly-regarded former deputy minister was widely seen as the public face of the Reichmann fief. He replaces Mr John Rogers, the new Molson deputy chairman.

Record trading at Scott Paper

By Our Financial Staff

SCOTT PAPER, the Philadelphia-based paper products group, yesterday reported nearly trebled third-quarter net income of $170.7m or $2.22 a share, up from $58.5m or 76 cents a year ago.

Although the latest net results are distorted by special factors – a gain of $1.53 a share from the sale of Scott's half-share in Brunswick Pulp & Paper and special charges of 31 cents, the underlying results reached record levels.

Mr Philip Lippincott, chairman and chief executive, said that "both our worldwide personal care and cleaning and our printing and publishing papers businesses continue to perform at superior levels."

Sales in the 1988 third quarter rose from $1.03bn to $1.15bn. Combined sales for the worldwide personal care and cleaning businesses rose 12 per cent over the 1987 quarter, while operating profits, excluding non-recurring items, increased 13 per cent.

Within this division, US sales volumes rose 7 per cent and operating profits 20 per cent, excluding non-recurring items. The results primarily reflect strong growth across most business lines, and higher prices in commercial and some consumer products.

Abroad, while consolidated subsidiaries reported a 21 per cent sales increase in the third quarter, operating income was about the same as in 1987, due principally to costs associated with Scott's European growth strategy and rising pulp prices.

Sales for Scott's printing and publishing papers business rose 10 per cent and operating profit 35 per cent, excluding non-recurring items.

For the first nine months of 1988, net income rose 92 per cent from $166.2m or $2.17 a share to $320m or $4.18. Operating income rose 78 per cent from $337.6m to $599.7m. Sales rose 14 per cent to $3.44bn.

Repap Enterprises to expand

By Robert Gibbens in Montreal

REPAP ENTERPRISES Corporation is committed to put a new coated paper machine at Prince Rupert, northern British Columbia, at a cost of several hundred million dollars, within the next five years, says Mr George Petty, company chairman.

The new machine is the logical sequel to Repap's 1986 acquisition of Skeena Pulp, near Prince Rupert, for about C$100m. Prince Rupert is the western terminal of the Canadian National railway line and a major bulk materials export port.

Repap is investing more than C$100m (US$83.3m) to modernise Skeena's sawmills and install a new recovery boiler. By early 1989, Skeena will have 450,000 tonnes yearly capacity.

The new coated paper machine with capacity of more than 200,000 tonnes yearly will use substantial amounts of Skeena bleached kraft pulp, depending on the grade of product chosen.

By the end of 1989, with new machines in New Brunswick and Wisconsin on stream, Repap will have a total coated paper capacity of 850,000 tonnes and will be among the three leading North American producers.

Noranda Forest and partner North Broken Hill Holdings of Australia have reached agreement on fibre supply guarantees to go ahead with their 440,000 tonnes yearly bleached eucalyptus kraft pulp mill in Tasmania.

Gain from disposals lifts TRW

By Our Financial Staff

TRW, the big US defence and engineering group, reported net income of $88m or $1.11 a share in the third quarter, compared with $83m or $1.01 in the same period of last year. Sales fell by 3 per cent, to $1.65bn from $1.7bn last year, although if businesses which have been divested are excluded from both quarters, sales rose by 3 per cent.

Third-quarter sales in the space and defence sectors were down by 5 per cent, to $786m from $827m in the previous year, while sales in the automotive components sector rose by 11 per cent, to $679m, from $613m. Sales in the information sector rose by 6 per cent, to $135m, from $128m in the comparable period of last year.

TRW realised a net gain of $63m from the sale of its TRW Reda Pump and TRW Oilwell Cable businesses in the third quarter, a gain partially offset by a $43m charge after tax to cover claims ariosing from the recall of steering gears for heavy trucks.

Mr Ruben Mettler, TRW's chairman, said: "Our space and defence business was down somewhat, as expected... Without the recall costs, our automotive business would have posted another good quarter in what has been a very good year." He added: "Our information systems segment continues to experience slowness in parts of the business and high expense levels for product startups and future productivity improvements."

Big jump in MCI revenues

By Roderick Oram in New York

MCI COMMUNICATIONS, the second largest US long-distance telecommunications carrier after AT&T, has reported another big jump in revenues and profits thanks in part to new services and higher operating margins.

"Our success in increasing both volume and market share while controlling costs has allowed us to take full advantage of the high operating leverage that is fundamental to this industry," said Mr Bert Roberts, president.

MCI benefited in particular from its new toll-free and operated assisted services and expansion into further foreign markets. It also landed a number of large contracts with major businesses such as Ford Motor Credit and J.C. Penney, a leading retailer.

"Sales in virtually every market segment exceeded expectations and traffic volumes were strong even during the summer," Mr Roberts added.

Net profits for the third quarter ended September 30 soared to $104m, or 38 cents per common share, from $17m, or 6 cents a year earlier. The latest results included an $11m pre-tax gain from an anti-trust settlement and an $8m pre-tax charge for contract settlements.

Third-quarter operating profits rose to $171m from $64m a year earlier, representing a margin of 12.6 per cent against 6.4 per cent. Revenues grew by one-third to $1.36bn from $994m.

For the nine months, net profits were $224m, or 78 cents, against $41m, or 14 cents. Revenues rose 20 per cent to $3.7bn from $2.9bn.

MCI is reaping the reward for heavy capital spending in recent years, analysts say. Its capital expense per incremental call has fallen from around $2.50 to about 75 cents and the number of calls per employee has doubled to over 250, thanks in part to stringent cost cutting measures.

The competition is unrelenting, however. AT&T, which remains the dominant carrier even after nearly five years of deregulation, filed on Monday to cut its long distance charges by about 3.8 per cent. The move will take the total reduction in its charges to 38 per cent since 1984, a strategy that has been willingly matched by MCI and Sprint, the other major long distance carrier.

Coca-Cola unit moves ahead

Coca-Cola Enterprises, Coca-Cola's soft drinks bottling subsidiary, reported third-quarter net income of $39.9m or 26 cents a share, against $31.9m or 23 cents a share in the comparable quarter last year, writes Our Financial Staff.

NORTH AMERICAN QUARTERLY RESULTS

BOISE CASCADE Forestry products

	1988 $	1987 $
Third quarter		
Revenues	1.04bn	997.9m
Net income	71.9m	50.4m
Net per share	1.58	1.02
Nine months		
Revenues	3.06bn	2.86bn
Net income	212.7m	125.8m
Net per share	4.64	2.50

BURLINGTON NORTHERN Transport

	1988 $	1987 $
Third quarter		
Revenues	1.66bn	1.68bn
Net income	120.4m	141.3m
Net per share	1.60	1.89
Nine months		
Revenues	5.21bn	4.91bn
Net income	176.9m	301.1m
Net per share	2.34	4.02

CHAMPION INTERNATIONAL Forestry products

	1988 $	1987 $
Third quarter		
Revenues	1.29bn	1.20bn
Net income	122.4m	88.7m
Net per share	1.29	0.94
Nine months		
Revenues	3.81bn	3.46bn
Net income	336.6m	299.9m
Net per share	3.54	3.17

COMMONWEALTH EDISON Utilities

	1988 $	1987 $
Third quarter		
Revenues	1.87bn	1.86bn
Net income	424.2m	464.2m
Net per share	1.89	2.20
Nine months		
Revenues	4.26bn	4.44bn
Net income	662.7m	906.9m
Net per share	2.77	4.01

CORNING GLASS WORKS Building materials

	1988 $	1987 $
Third quarter		
Revenues	655.9m	520.3m
Net income	123.9m	50.3m
Net per share	2.74	1.08
Nine months		
Revenues	1.63bn	1.57bn
Net income	243m	148.5m
Net per share	5.39	3.20

DOVER Manufacturing

	1988 $	1987 $
Third quarter		
Revenues	493.1m	393.5m
Net income	33.1m	27.5m
Net per share	0.51	0.40
Nine months		
Revenues	1.45bn	1.15bn
Net income	108.5m	80.3m
Net per share	1.65	1.18

E-SYSTEMS Defence electronics

	1988 $	1987 $
Third quarter		
Revenues	380.1m	302.9m
Net income	19.6m	15.8m
Net per share	0.63	0.51
Nine months		
Revenues	1.05bn	911.7m
Net income	54.2m	42.7m
Net per share	1.75	1.38

HILTON HOTELS Hotelier

	1988 $	1987 $
Third quarter		
Revenues	236.1m	198.2m
Net income	27.2m	22.3m
Net per share	0.57	0.44
Nine months		
Revenues	699.2m	623.4m
Net income	95.7m	81.5m
Net per share	1.99	1.62

INTERCO Clothing

	1988 $	1987 $
Second quarter		
Revenues	630m	610m
Op net income	22.9m	29.4m
Op net p/shr	1.42	1.32
Six months		
Revenues	1.27bn	1.23bn
Op net income	53.8m	56.4m
Op net p/shr	1.42	1.32

OWENS-CORNING FIBERGLAS Building materials

	1988 $	1987 $
Third quarter		
Revenues	760m	753m
Net income	51m	35m
Net per share	1.21	0.84
Nine months		
Revenues	2.13bn	2.18bn
Net income	131m	162m
Net per share	3.14	3.91

RUBBERMAID Household durables

	1988 $	1987 $
Third quarter		
Revenues	320.4m	276.4m
Net income	28.1m	24.3m
Net per share	0.38	0.33
Nine months		
Revenues	905.6m	799.2m
Net income	78.2m	66m
Net per share	1.06	0.90

TELEDYNE Machinery

	1988 $	1987 $
Third quarter		
Revenues	898.7m	806m
Net income	77.4m	89.5m
Net per share	6.74	7.66
Nine months		
Revenues	2.56bn	2.41bn
Net income	293.6m	218.4m
Net per share	25.36	18.67

Sassoon (EUROPE) LTD.

SPECIALISTS IN CONTINENTAL EUROPEAN EQUITIES BECOME FULLY OPERATIONAL TODAY WED 19/10/88

ANTHONY J. E. O'SULLIVAN, M.A. — CHIEF EXECUTIVE
A graduate of Trinity College, Dublin, Anthony O'Sullivan has been a stockbroker for 15 years, having previously worked in merchant banking and mining finance. Before starting Sassoon Europe he was the partner responsible for the International department at the London Stockbroker W. Greenwell.

FIONA NORMAN
Personal Assistant to Mr O'Sullivan

J. M. SASSOON, SINGAPORE'S LARGEST STOCKBROKER, WITH A HISTORY SPANNING MORE THAN HALF A CENTURY IS INCREASING ITS PRESENCE IN LONDON, THE WORLD'S LEADING FINANCIAL CENTRE.

HEADQUARTERED IN SINGAPORE AND EMPLOYING 300 IN OFFICES THROUGHOUT THE FAR EAST INCLUDING TOKYO AND HONG KONG, THE COMPANY BELIEVES THERE IS A NICHE TO BE FILLED IN EUROPEAN "AGENCY" BROKING.

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SASSOON MEANS SERVICE

JACKI LILLEY — Personal Assistant to Mr Hornett

ROGER HORNETT — DEPUTY MANAGING DIRECTOR
In his 20th year in stockbroking, Roger Hornett has spent his entire career studying Europe. Prior to the appointment with Sassoon he was a director of James Capel International and joint managing director of their subsidiary in Amsterdam. For 11 consecutive years Roger Hornett's team were voted top European analysts in the influential Extel survey.

JEROEN VAN DER PLOEG
Institutional Sales — Bonds
Jeroen Van der Ploeg has been involved in the International Bond Markets since 1972 and has also traded equities and gold shares for Dutch and American houses. Jeroen joined Sassoon in 1987.

FRANCESCA NOBLET — INSTITUTIONAL MARKETING & RESEARCH — EQUITIES
After graduating from Oxford in 1983, Francesca Noblet taught business students at Salerno University and is fluent in both Italian and Spanish. She then moved to Nikko Securities where she spent two years in the European department before becoming a marketing executive with James Capel in 1987.

JENNY SARGEANT — Client Data Co-ordinator

ANDREW PARRISH — SETTLEMENTS CO-ORDINATOR

PHILIP DORAN — INSTITUTIONAL MARKETING & RESEARCH — EQUITIES
A former economics lecturer and research assistant, Phil Doran has taught in the Netherlands and lived in W. Germany. He is fluent in both languages and is now in his fourth year of European stockbroking.

REGISTERED ADDRESS:
5 CHANCERY LANE,
LONDON, W.C.2.

YOU WON'T FORGET OCTOBER 19th 1987
DON'T FORGET OCTOBER 19th 1988

A FIMBRA MEMBER

FOR MORE DETAILS CONTACT:—
SASSOON (EUROPE) LTD.,
THE COUNTING HOUSE,
53, TOOLEY STREET,
LONDON SE1 2QN.

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FACSIMILE: 01-378 6393

DFC FINANCE (OVERSEAS) LIMITED

NOTICE OF ADJOURNED MEETING

of the holders of the outstanding
A$50,000,000
13% Guaranteed Bonds Due 1990
Unconditionally guaranteed by

DFC NEW ZEALAND LIMITED
(as the successor to Development Finance Corporation of New Zealand)

Notice is hereby given that following the adjournment of the meeting of the holders of the above Bonds (the "Bondholders") which was held at 10.30 a.m. (London time) on 28th September 1988, an Adjourned Meeting of the Bondholders will be held at The Barbican Centre, Silk Street, London EC2Y 8DS in Conference Rooms C and D on 1st November, 1988 at 10.00 a.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed (the "Trust Deed") dated 23rd July 1985 made between DFC Finance (Overseas) Limited (the "Issuer"), Development Finance Corporation of New Zealand, succeeded by DFC New Zealand Limited (the "Guarantor") as guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the Bondholders.

EXTRAORDINARY RESOLUTION

"That this Adjourned Meeting of the holders of the outstanding A$50,000,000 13% Guaranteed Bonds Due 1990 (the "Bonds") of DFC Finance (Overseas) Limited (the "Issuer") constituted by the Trust Deed dated 23rd July, 1985 (the "Trust Deed") made between the Issuer, Development Finance Corporation of New Zealand, succeeded by DFC New Zealand Limited (the "Guarantor") as guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby:-

(1) deems Coupon No 4 due on 23rd July, 1989 amended by deleting the letters, sign and figures "A$130" and substituting the letters, sign and figures "A$131.25";

(2) assents to the modification of the Terms and Conditions of the Bonds as printed on the reverse of them and as set out in Schedule 1 to the Trust Deed by:-

(a) the deletion of paragraphs (e) and (f) of Condition 8 and the deletion of the words "an Act of the New Zealand Parliament is passed for the the winding up or dissolution of the Guarantor or any analogous Act of the New Zealand Parliament is passed or" from paragraph (g) of Condition 8 and the renumbering of paragraphs (g) and (h) of Condition 8 as paragraphs (e) and (f) respectively;

(b) (i) amending the first paragraph of Condition 2 by adding the following words at the end of the first sentence thereof:-

"except that for the interest period ending on 23rd July, 1989 (but in respect of no interest period ending on any subsequent 23rd July) the Bonds shall carry interest at the rate of 13.125 per cent. per annum (with the result that the amount of interest payable on 23rd July, 1989 in respect of each Bond shall be an amount of A$131.25)".

(ii) adding the following paragraphs as the third and fourth paragraphs of Condition 2:-

"All references in these Terms and Conditions to "interest" and "accrued interest", shall in respect of the interest period ending on 23rd July, 1989, where the context so permits, be deemed to be a reference to a rate of interest of 13.125 per cent. per annum and in respect of each Bond and the relevant Coupon, an amount of A$131.25."

"All references in these Terms and Conditions to "Coupons" (whether attached to a Bond or not) shall in respect of the annual interest period ending on 23rd July, 1989, where the context so permits, be deemed to be a reference to a Coupon in respect of which interest is calculated at a rate of 13.125 per cent. per annum and an amount of A$131.25."

(3) sanctions every modification, abrogation, variation, compromise or arrangement in respect of the rights of the Bondholders and the holders of the Coupons relating to the Bonds against the Issuer or the Guarantor occurring as a consequence of or resulting from the modifications referred to in paragraphs (1) and (2) of this Resolution; and

(4) authorises and requests the Trustee to concur in the modifications referred to in paragraphs (1) and (2) of this Resolution and, in order to give effect to such modifications, forthwith to execute a Supplemental Trust Deed substantially in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of the Meeting."

BACKGROUND

In July 1985, when the Bonds were issued, Development Finance Corporation of New Zealand was a statutory corporation constituted under the Development Finance Corporation Act 1973, all the shares in which were owned by Her Majesty in right of New Zealand (the "Crown").

The Development Finance Corporation of New Zealand Act 1986 ("DFC Act") authorised the establishment of Development Finance Corporation of New Zealand Limited and provided that, on the appointed day, the undertaking of Development Finance Corporation of New Zealand would vest in Development Finance Corporation of New Zealand Limited.

On 31st March, 1987 Development Finance Corporation of New Zealand Limited was incorporated, and on the same day that company changed its name to DFC New Zealand Limited ("DFC").

The DFC Act also provided that the issued capital of DFC subscribed on its incorporation would be held for and on behalf of the Crown by the Minister of Trade and Industry and the Minister of Finance in equal proportions. These shares were deemed by the DFC Act to have been allotted as fully paid up.

On 29th June, 1988 the Crown acting by and through the Minister of Trade and Industry and the Minister of Finance entered into a purchase contract for the sale of all the issued shares of DFC. The Crown will sell DFC to the National Provident Fund ("NPF") and New York-based investment bank, Salomon Brothers. NPF, a mutual fund and New Zealand's largest manager of superannuation funds, will acquire 80 per cent. of DFC and Salomon Brothers will acquire 20 per cent. Immediately after settlement a capital injection of NZ$45 million will be made. Following this, 20 per cent. of the expanded capital will be set aside for future sale by NPF to DFC's management, and an additional 5 per cent. will be made available to DFC's staff. DFC will continue to operate as an autonomous separate entity.

In order to ensure that no breach of paragraph (f) of Condition 8 would thereby occur the purchase contract provides, among other things, that notwithstanding any enactment or rule of law or equity to the contrary neither of the purchasers thereunder will acquire or be deemed to acquire beneficial ownership of or any real right or interest in any share in DFC by reason of the execution of the purchase contract, the purchase contract becoming unconditional, or any action taken under or for the purposes of giving effect to the purchase contract, unless and until the closing of the sale and purchase of all the shares of DFC thereby agreed to be sold actually occurs. The purchase contract also provides, among other things, that the closing of the sale and purchase of all the shares of DFC should occur at 11 a.m (Wellington time) on 18th November, 1988 or, if that day is not a business day (as defined in the purchase contract), then on the next succeeding such business day.

As a result of these changes it is now necessary to amend Condition 8 by deleting paragraph (e), as the Acts of Parliament therein referred to will no longer be relevant to the new shareholders of the Guarantor, by deleting paragraph (f), which applies upon a change or changes in the beneficial ownership of any of the voting share capital of DFC affecting in the aggregate more than 25 per cent. of that capital, and by amending paragraph (g) by deleting the words "an Act of the New Zealand Parliament is passed for the winding up or dissolution of the Guarantor or any analogous Act of the New Zealand Parliament is passed or", which words are no longer necessary.

The amendment to Condition 2 (and the consequent deemed amendment to the amount appearing on the face of Coupon 4) will result in the payment of an additional once only amount of 0.125 per cent. on the face amount of each Bond on 23rd July, 1989.

The Issuer accordingly gives Notice of the Adjourned Meeting of the Bondholders to request their agreement by Extraordinary Resolution to the matters contained in such Extraordinary Resolution.

The Issuer and the Guarantor consider that the proposed modifications contained in the Extraordinary Resolution set out above are fair and reasonable in the circumstances and, accordingly, the Issuer and the Guarantor recommend all Bondholders to vote in favour of the Extraordinary Resolution.

The attention of Bondholders is drawn to the quorum required for the Adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

In accordance with its normal practice the Trustee expresses no opinion on the merits of the proposed modifications but has authorised it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Bondholders for their consideration.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the Adjourned Meeting in person must produce at the Adjourned Meeting either the Bond(s), or a valid voting certificate issued by a Paying Agent relating to the Bond(s) in respect of which he wishes to vote.

A Bondholder not wishing to attend and vote at the Adjourned Meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Adjourned Meeting in accordance with his instructions.

A Bondholder whose Bonds are held by Euro-clear or CEDEL S.A. and who wishes to obtain a voting certificate or give voting instructions may instruct Euro-clear or CEDEL S.A. to hold his Bonds to the order of a Paying Agent and to either obtain and forward a voting certificate to such Bondholder or give the Paying Agent the Bondholder's voting instructions.

Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the operator of the Euro-clear System or any other person approved by it not later than 48 hours before the time appointed for holding the Adjourned Meeting. Bonds so deposited or held will not be released until the earlier of (i) the conclusion of the Adjourned Meeting and (ii) the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Adjourned Meeting is convened, of the voting instruction receipt(s) issued in respect thereof. All voting certificates issued in respect of the original meeting of Bondholders and all voting instructions given in respect thereof remain valid for the Adjourned Meeting, unless, in the case of voting instructions the relevant Paying Agent, the Issuer (at its registered office) or the Chairman of the Adjourned Meeting receive at any time prior to 24 hours before the commencement of the Adjourned Meeting notice in writing of the revocation thereof.

2. The quorum required at the Adjourned Meeting is two or more persons present in person holding Bonds or voting certificates or being proxies whatever the principal amount of the Bonds so held or represented.

3. Every question submitted to the Adjourned Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Adjourned Meeting or by one or more persons holding one or more Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each A$1,000 principal amount of Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such meeting and whether or not voting, and upon all the holders of the Coupons relating to the Bonds.

DOCUMENTS

The following documents are available for collection or inspection at the offices of the Paying Agents from the date of this Notice until the conclusion of the Adjourned Meeting.

(A) Documents available for collection by Bondholders:-
  (i) voting certificates (in respect of Bonds deposited with, or held to the order of, a Paying Agent);
  (ii) voting instruction forms (in respect of Bonds deposited with, or held to the order of, a Paying Agent);
  (iii) Explanatory Memorandum dated July, 1988 as to the background to, and the reasons for, the proposed modifications to the terms and conditions of the Bonds and the Extraordinary Resolution; and
  (iv) the Annual Report and Accounts of the Guarantor for the year ended 31st March, 1988.

(B) Documents available for inspection only by Bondholders:-
  (i) the Trust Deed constituting the Bonds;
  (ii) the Memorandum and Articles of Association of the Guarantor; and
  (iii) a draft (subject to modification) of the Supplemental Trust Deed to effect the proposed modifications.

PRINCIPAL PAYING AGENT

Citibank, N.A.
Citibank House,
336 Strand,
London WC2R 1HB.

PAYING AGENTS

Citicorp Investment Bank (Switzerland),
Bahnhofstrasse 63,
CH-8022 Zurich.

Citicorp Investment Bank (Luxembourg) S.A.,
16, Avenue Marie Therese,
Luxembourg

Citibank, N.A.,
Avenue de Tervuren, 249
B-1150 Brussels.

DFC FINANCE (OVERSEAS) LIMITED
19 October, 1988

IF YOU ARE IN ANY DOUBT ABOUT WHAT ACTION YOU SHOULD TAKE AS A CONSEQUENCE OF THIS NOTICE YOU SHOULD CONSULT YOUR USUAL FINANCIAL ADVISER.

INTERNATIONAL COMPANIES AND FINANCE

Paribas takes 1.5% holding in Ferruzzi

By Paul Betts in Paris

PARIBAS, the French privatised financial group, announced yesterday it had acquired a 1.5 per cent stake in *Ferruzzi Finanziaria*, the main holding company of Mr Raul Gardini, the Italian entrepreneur, for about FFr220m ($35.5m).

The acquisition follows last week's purchase by Paribas of a stake of just under 5 per cent in Beghin-Say, France's largest sugar producer, which is controlled by the Italian Ferruzzi group. Paribas paid about FFr290m for the stake.

Paribas said yesterday that the two investments in the Ferruzzi companies were long-term investments and part of the French group's efforts to forge a wide network of alliances with key European financial and industrial partners.

Ferruzzi is now expected to acquire a stake in Paribas to consolidate the link through a cross-shareholding commitment.

The latest move has given Paribas a direct interest in Italy's second-largest private business after Fiat, with annual sales of about FFr116bn and major operations in agri-industries and chemicals.

Paribas has been seeking to boost its presence in key industrial sectors as well as reactivate its strategy of building a network of international alliances. The strategy had been interrupted by the group's nationalisation in 1982.

However, since its privatisation at the beginning of last year, Paribas has launched an active policy of negotiating new alliances with leading international partners. This has included strengthening links with the Pargesa-Bruxelles-Lambert group led by Mr Gerard Eskenazi and Mr Albert Frère.

● Sanofi, the French chemicals and pharmaceutical group, has bought Alexander Gebert, a French family-owned perfume essence maker, Reuter reports.

Mr Jean-Francois Dehecq, Sanofi chairman, said Gebert, which has annual sales of FFr150m, would double Sanofi's turnover in the fragrance sector. He added that Sanofi paid between 10 and 12 times earnings but declined to reveal the price.

SCA buys majority stake in Austrian paper concern

By Sara Webb in Stockholm

SCA, ONE of the leading Swedish forestry groups, has acquired for about SKr1bn ($160.7m) a majority shareholding in Laakirchen, an Austrian manufacturer of printing paper and hygiene products.

SCA said the deal would give it a stronger foothold in the West German, Austrian and Swiss markets for high-quality paper and hygiene products and would greatly increase its production capacity for magazine paper.

Mr Sverker Martin-Löf, chief operating officer at SCA, said that by extending its range of printing papers to cover all grades, SCA would be in a stronger position to win bulk orders from publishers.

"We need to be of a certain size and with a full range of printing papers to do this," he said, adding that Laakirchen would complement SCA's existing lightweight coated paper (LWC) production.

SCA has agreed to buy a 74.9 per cent stake in a holding company which in turn owns 76.4 per cent of Laakirchen. It also has a separate agreement with Wilfried Heinzel, a trading company closely allied with Laakirchen, covering trade in forest and paper products in West Germany, Switzerland, Italy, the US and Egypt.

Laakirchen, which has a strong position in the Austrian and Swiss markets and is profitable, is expected to show sales of SKr2.3bn in 1988. Nearly 50 per cent of its sales come from magazine paper. It has recently invested about SKr1bn in new paper mills, and the benefits of these measures are expected to show up in the 1989 profits.

SCA is converting some of its newsprint capacity in Sweden to LWC paper production. The group will have a production capacity of 1.2m tons of printing paper after the deal with Laakirchen and an earlier agreement with Cellulose du Pin of France to set up a jointly owned newsprint mill.

SCA is the European leader in the hygiene products sector. The deal will also make it the second largest producer of tissue paper in Europe.

Laakirchen has 60 per cent of the Austrian tissue market and strong sales in Switzerland and West Germany. About 40 per cent of its sales come from tissue-based hygiene products.

SCA has made a series of strategic acquisitions in Europe in recent months, and says it will probably go some way towards covering the cost through a share issue, raising up to SKr500m.

The group called off a planned issue in the US last year after the October stock market crash.

Trelleborg acquires Saab unit

By Sara Webb in Stockholm

TRELLEBORG, the rapidly expanding Swedish industrial group with interests in rubber, plastics, mining and chemicals, is buying a heating systems subsidiary from Saab-Scania, the Swedish automotive group, for about SKr285m ($45.8m).

The deal is intended to strengthen Trelleborg's existing operations in the ventilation, heating, water and sanitation fields while leaving Saab-Scania to concentrate on its more traditional – and more profitable – motor vehicle business.

Saab-Scania's once-troubled Enertech subsidiary makes heat pumps, oil and gas burners, and equipment for monitoring the flow of gas and liquids. Enertech only broke even in 1985 and made a loss of SKr19m on sales of SKr1.28bn in 1986.

Saab-Scania has since restructured the subsidiary, helping it return to a meagre profit last year of SKr3m on sales of SKr1.28bn. Enertech has production plants and sales units in Scandinavia, the UK and West Germany.

The acquisitive Trelleborg has gained a strong position in the Swedish wholesale market since taking over the Ahlsell trading group two years ago. Its building and distribution business area will have a total turnover of SKr8.6bn after buying Enertech.

Last year, the Trelleborg group reported profits before extraordinary items of SKr89m on sales of SKr17.22bn.

Mr Georg Karnsund, chief executive of Saab-Scania, said the disposal would allow the automotive group to fulfil "its long-term orientation, that of concentrating on cars and aircraft."

Chemical to sell Spanish assets

By Peter Bruce in Madrid

CHEMICAL BANK is in advanced negotiations to sell its profitable Spanish operation as part of the US bank's strategic withdrawal from peripheral European markets.

Mr Christopher Ashby, Chemical's general manager in Spain, confirmed yesterday that $500m of assets were being sold for an undisclosed price to Bancapital, a subsidiary of Mercapital, the young Madrid financial holding company.

Chemical has already sold off its UK mortgage business, trimmed its Paris operation and recently closed its business in Milan.

Mr Ashby said Chemical wanted to concentrate on centres like Frankfurt, where there was a particularly strong currency, and the City of London. A deadline of November 15 has been set for negotiations with Mercapital.

Chemical's assets in Spain include branches in Madrid and Barcelona, with most of it tied up in profitable treasury operations. Mr Ashby said 1988 would be the bank's most profitable year ever in Spain, with earnings totalling Pta960m ($8m) by the end of August.

According to one recent ranking, Chemical's 2.2 per cent return on total assets for the first half of 1988 made it the fifth most profitable foreign bank in Spain.

Mercapital is essentially an unlicensed merchant bank launched in 1985 by a group of former bankers – including Mr Jose Maria Loizaga, the former chief executive of Banco Urquijo Union – to take advantage of the rapid modernisation and growth of Spanish financial services.

By the end of 1987, its consolidated revenues were about Pta1.4bn and it reported group net profits of Pta412m. It is currently the only share listed on Madrid's rather obscure secondary stock market and has applied for a full listing.

The founders started off with equity of about $6.6m but have since raised Pta400m in new capital, which brought Société Générale de Belgique, Belgium's largest holding company, in as a silent partner with a 25 per cent stake. The founders still hold about 12 per cent, with the rest in private hands.

Because it holds no special licences, Mercapital has erected a number of specialised subsidiaries to offer financial services. Its fund manager, Fonscapital, had a portfolio worth more than Pta14bn by the end of June.

Bancapital, which would take over Chemical Bank's Spanish operations, is the former Banco Industrial del Tajo which Mercapital took effective control of earlier this year.

The Chemical Bank deal would be an enormous boost to Mercapital's profile in Spanish finance.

It could also mean a return to money market operations which Mercapital largely abandoned in favour of equities last year when it underwrote a stock issue by Zardoya-Otis, the elevator group, and took a 23.2 per cent stake in Corparacion Alimentaria Iberica (CAI), a foods group.

Valmet sees modest gain in earnings

By Olli Virtanen in Helsinki

VALMET, the Finnish metal and engineering group, expects profit before appropriations and taxes to reach FM500m ($117m) in 1988, up from FM423m last year, with net sales forecast to increase from FM7.27bn to FM8.5bn.

The group's interim figures for the first eight months, released yesterday, show a profit of FM20m before appropriations and taxes, up from a loss of FM103 during the same period in 1987. The group's turnover increased by 37 per cent to FM4.9bn.

Mr Mauri Jaakonaho, executive vice-president for finance, says the modest figures for the eight-month period reflect the fact that much of the group's invoicing and the bulk of profits are traditionally recorded during the last four months of the year.

The expected profit for the year includes FM120m in property sales but does not include possible compensation for losses incurred by Wartsila Marine, the Finnish shipbuilding company in which Valmet has a 30 per cent stake.

Wartsila Marine has announced it may seek compensation for misleading information about the profitability of orders it received from Valmet when that company merged its shipbuilding operations with those of Wartsila at the beginning of last year, forming Wartsila Marine.

In the eight-month period, Valmet's paper machinery division, which accounts for almost half the group's net sales and which is the group's best performing unit, grew by 85 per cent.

Domestic tractor production increased net sales by 49 per cent and the operation was "profitable." Likewise, Valmet do Brasil, the tractor-making subsidiary in Brazil, "turned profitable" compared with the year-earlier period.

Mr Matti Kankaanpaa, president of the group, says Valmet, which recently became the first Finnish state-owned company to enter the capital market by raising FM780m from domestic investors, is making "solid progress in growth and profitability."

The company's share will probably be listed before the end of October.

Operating profit down at DnC

By Our Financial Staff

DEN NORSKE Creditbank (DnC), the big Norwegian banking group, yesterday announced reduced operating profits and higher loan loss provisions for the first eight months of 1988, but still expects a marked improvement in results for the year as a whole.

Operating profit fell from NKr875m ($130.7m) in the 1987 period to NKr551m. After loan losses of NKr1bn, against NKr796m, there was a net loss of NKr473m against profit of NKr64m.

Mr John Giverholt, deputy managing director and chief financial officer, said DnC's overall financial performance was "obviously unsatisfactory, and this makes it necessary to implement quick corrective measures. The growth in expenses has been brought to a halt, but the totals are still too high."

DnC said a key proportion of loan losses had occurred in the small business and consumer markets in Norway. However, the group's international division was performing well. In 1987, DnC had a net loss of NKr1.5bn.

INTERNATIONAL COMPANIES AND FINANCE

NZ to sell 100% of state airline

By Dai Hayward in Wellington

THE NEW ZEALAND Government yesterday put Air New Zealand, the state airline, up for sale in its entirety after scrapping negotiations with Qantas of Australia, which had been its preferred purchaser of a 25 per cent stake.

No price has been set, but by some estimates Air NZ could be worth nearly NZ$1.7bn (US$1.1bn).

However, any overseas airline will be limited to owning 35 per cent of Air NZ, with another 30 per cent offered to staff and the local public in a share flotation. Mr David Lange, Prime Minister, said 65 per cent of the airline must be retained permanently in New Zealand and the Government would introduce a special "kiwi" class of share to ensure this.

The change of course means British Airways must be a main contender to buy all or part of the 35 per cent stake which can go overseas. The new arrangements for the sale must be approved tomorrow by the whole caucus of the ruling Labour Party, where several MPs are known to support BA. Air NZ management also prefers such a link because of the UK airline's sophisticated international booking system.

Bidders have four weeks to submit new offers for the airline. On September 19, Qantas was named the preferred buyer for the 25 per cent stake but Mr Lange has made it clear this preference no longer applies and all parties will start again on an equal footing.

At the same time Mr Bill Jeffries, Transport and Aviation Minister, has been replaced as chief negotiator on the sale of the airline by Mr Richard Prebble, Minister of State-Owned Enterprises. Mr Jeffries fought hard to persuade cabinet to accept the Qantas offer, and his replacement reflects division within the cabinet over the way the sale should be handled. Mr Lange made it clear, however, that Mr Jeffries would remain as a minister.

Qantas said it was disappointed and bewildered. It had made it clear it was flexible in its approach and was prepared to consider bidding for any proportion of the shares which the Government made available.

In parliament Mr Jim Bolger, leader of the opposition National Party, described the sale process as a shambles. He warned that a future National government would force any overseas airline which holds more than 24.9 per cent of Air NZ to sell it back.

The 35 per cent limit on overseas ownership is aimed at preserving bilateral landing rights. The Government said it made extensive inquiries among airlines and aviation legal experts throughout the world regarding an acceptable level of foreign ownership. All the opinions indicated that selling 35 per cent did not place the agreements in jeopardy.

Michael Donne, Aerospace Correspondent, adds: Although there is no international law specifying what constitutes a national flag airline, it is generally taken to mean that a majority of the shares should be held by citizens or organisations of the country in which the airline is registered.

But even this is only a rule of thumb, and several airlines operate under flags of convenience: they are registered in one country but have the bulk of their operations in another.

Attitudes of other countries with which those airlines have bilateral air agreements or other operating partnerships are crucial. Thus, if Air NZ became majority controlled by a group outside New Zealand, the US, as the other party in trans-Pacific air agreements, might object.

When BA was itself privatised, the articles of association contained powers to limit the number of shares in which non-UK nationals could have any direct or indirect interest to 35 per cent, at which level the Secretary of State for Transport could step in and order a reduction.

Cathay City bids for Hongkong Hotels

By John Elliott in Hong Kong

HONGKONG AND Shanghai Hotels, which operates the territory's Peninsula Hotel, yesterday rejected a HK$5.9bn (US$756.4m) surprise takeover approach from Cathay City Investments, the small finance arm of a group which includes the rival Regal Hotels group.

A year ago the family of Lord Kadoorie, which controls Hongkong Hotels, beat off a boardroom challenge by Chinese Estates, a company controlled by the Lau corporate raider brothers. The Kadoories now own 34.9 per cent of the hotel and property group.

Cathay City, part of the Century City group run by Mr Lo Yuk Sui, a local businessman, said it was contemplating making a full bid for Hongkong Hotels and "had no wish for the offer to be undertaken in a hostile manner," according to a statement from the target company.

Cathay City said yesterday it owned about 1 per cent of the group.

Hongkong Hotels' directors said they would not welcome any offer and intended to continue expanding the group. Apart from the flagship Peninsula in Kowloon, it has various international projects including hotels for London's St George's Hospital site and Maxims de Paris in New York.

Regal Hotels, which is controlled by Paliburg Investments, a subsidiary of Century City Holdings, has three hotels in Hong Kong including the Regal Meridien and the Regal Airport. Recently it bought controlling interests in Aircoa Companies, a US hotel management concern; a Los Angeles property company called Richfield; and a Toronto hotel.

Cathay City said its contemplated offer for Hongkong Hotels was HK$6 a share, comprising HK$4.50 cash and the rest in shares, together with an equivalent offer for 98m warrants.

Hongkong Hotels has a market capitalisation of HK$4.75bn, based on the HK$4.82 price at which its shares were suspended yesterday.

Randfontein abandons uranium mining

By Jim Jones in Johannesburg

FEAR OF future losses has persuaded Randfontein Estates, a gold mine managed by the Johannesburg Consolidated Investment (JCI) mining group, to abandon uranium production.

The mine had a long-term contract to supply uranium to France and its production capacity had been financed with favourable loans from the French atomic agency with repayments tied to uranium deliveries. Randfontein's contract has been taken over by an unnamed South African mine which will also assume Randfontein's remaining R22m ($9m) loan obligation.

Uranium profits have declined to R283,000 before tax in the latest quarter from R886,000 in the three months to June and a quarterly rate of about R3.5m until mid-1987.

JCI GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Sep 88	June 88	Sep 88	June 88	Sep 88	June 88
Randfontein	6,754	7,098	71.83	90.95	618.3	320.3
W. Areas	3,479	3,025	10.51	11.18	10.3	0.0

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

The uranium plant is to be cannibalised for equipment which can be incorporated into the gold treatment facility serving Randfontein's new Doornkop section.

Gold production fell in the September quarter as low-grade ore was intersected at the mine's Cooke No 1 shaft and as underground development traversed low-grade ore around the Doornkop shaft.

In Johannesburg yesterday Mr Bill Nairn, a director, said the production build-up at Doornkop would allow the mine to phase out the processing of low-grade surface dump material over the next 18 months. He expects gold recovery grades to improve with better underground ore values.

Neighbouring Western Areas lifted its milling rate and gold recovery grade in the September quarter. The mine has reported good progress in the development towards South Deep, a potential deep and rich new mine beyond Western Areas' southern boundary. Western Areas has a 29 per cent interest in the South Deep project and Mr Nairn says the project's financing plans should be completed within six months.

The house's new H. J. Joel mine in the Orange Free State, which is to be officially opened on Friday, has milled small tonnages of ore to test its new plant. Underground ore production has started with the commissioning of two shafts and the mine expects to reach its full monthly milling rate of 80,000 over the next two years. Recent geological investigations indicate faulting is not as bad as had been feared early this year.

Gold prices offset Anglovaal wage rises

By Jim Jones

HIGHER RAND gold prices offset the effect of mid-year wage increases at the three principal gold mines managed by South Africa's Anglovaal group during the September quarter.

Loraine suffered a profit decline as a higher milling rate failed to compensate for a sudden drop in ore grades. The reason for the drop is being investigated, but analysts in Johannesburg say that further grade and profit reductions could affect Loraine's ability to participate in the development of a mine being planned by Anglovaal in the Orange Free State.

ANGLOVAAL GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Sep 88	June 88	Sep 88	June 88	Sep 88	June 88
E. Tvl Cons	940	835	11.62	11.68	118.2	95.4
Hartebeest	8,054	8,053	67.16	52.98	[illegible]	[illegible]
Loraine	2,177	2,177	9.27	14.09	(10.8)	32.5

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Anglovaal recently completed a preliminary feasibility study of the proposed mine, which lies just to the north of Loraine and which is 35.7 per cent owned by Anglovaal, 34.3 per cent by its Middle Wits associate and 30 per cent by BHP of Australia. It is expected the new mine could be developed as an extension of Loraine to take advantage of tax offsets against Loraine's current profits.

Hartebeestfontein, the group's largest mine, increased gold production by processing a greater tonnage of low-grade surface dump material. A lower rate of milling underground ore combined with higher wages to lift the cost of mining and processing each tonne of ore to R146.27 ($59.95) in the September quarter from the June quarter's R137.22.

Eastern Transvaal Consolidated, which operates three small mines in the mountains around the town of Barberton, lifted the quarter's milling rate to 92,200 tonnes from 80,200 tonnes, more than offsetting a small drop in the average gold recovery grade. It is to bring a fourth mine into production within a few months and is planning the development of a fifth.

CSR sells remaining oil and gas interests to AGL

By Chris Sherwell in Sydney

CSR, the Australian sugar and building products group, yesterday abandoned plans to float its remaining oil and gas interests and sold them to the Australian Gas Light Company (AGL) for A$142m (US$115m).

The deal follows earlier moves by CSR out of coal and other minerals as part of a strategic shift away from resources. Last year it also sold Delhi Petroleum, its principal oil asset, for A$985m.

For AGL – in which Sir Ron Brierley's Australian Oil and Gas group has a significant stake but only 5 per cent voting rights – the purchase gives it CSR's remaining oil and gas interests.

Grouped as CSR Petroleum, they include gas production in Queensland, gas pipelines in Queensland and the Northern Territory, the Denison Trough gas project in Queensland, oil production in Indonesia, and exploration activities in Australia, Indonesia and China.

CSR had for some time been disposed to float these interests to its own shareholders, but it dropped the idea because, as Mr Gene Herbert, deputy managing director, said yesterday, "the size of the float made it difficult to give an opportunity for all shareholders to take up a meaningful holding."

"In any event," he added with a reference to the recent fall in petroleum prices, "current market conditions are not particularly conducive to a successful oil and gas float."

The flotation was also contingent on a contract to supply gas from the Denison Trough in Queensland, and CSR recently agreed a deal with Queensland Alumina which is said to have boosted yesterday's sale price.

So far the two sides have simply concluded a heads of agreement with an effective date of October 1. Completion will follow execution of a detailed agreement of sale, when AGL will pay most of the purchase price. The balance is to follow on execution of the Denison Trough contract.

The sale completes CSR's exit from the energy sector and, with the exception of its aluminium interests – which it is retaining, from the resources sector as a whole.

Elders proposes buy-back

ELDERS IXL, the Australian brewing and agribusiness group, will ask shareholders to approve a complex buy-back of up to 10 per cent of its capital, pre-empting changes to Australian buy-back laws, Reuter reports from Melbourne.

In the notice for its AGM on November 14, Elders proposes lending an arms-length associate company up to A$600m (US$485.8m) to buy a maximum 180m Elders shares.

The company, called Ordvest, would have the sole purpose of investing in Elders stock and could achieve the buy-back on market or in pro-rata purchases from shareholders. Securities authorities have proposed that buy-backs should be permitted only non-selectively to all shareholders.

Bond buys US hotels for $206m

BOND CORPORATION, Mr Alan Bond's brewing and investment company, said yesterday it had paid more than US$206m for hotel interests in New York and San Diego, Reuter reports from Perth.

The company had bought New York's St Moritz Hotel for $180m, it said without naming the seller. It had also paid $26m for a 75 per cent stake in Kona Kai and Kona Inn resort on San Diego's Shelter Island.

INTERNATIONAL CAPITAL MARKETS

EIB seeks £100m through Eurosterling sector

By Dominique Jackson

A HANDFUL of diverse issues emerged in the non-dollar sectors of the Eurobond market yesterday including the first new fixed rate conventional Eurosterling issue for some time. Secondary market business was limited with low volumes and directionless trading in the dollar sector affecting sentiment in the rest of the market.

Kleinwort Benson led a £100m issue for the European Investment Bank which matures in 1997 and was launched at an initial yield margin of 31 basis points over comparable gilt-edged issues, a spread deemed attractive by several institutional investors.

Sterling bonds have been well-underpinned of late, mainly by technical factors, with 1996/1997 maturities performing more consistently than many other areas of the market, notably the five year sector.

The enduring popularity of the Canadian dollar was demonstrated once again yesterday by the success of an issue in the currency for Eurofima which was increased due to demand to a final total of C$100m by lead manager Banque Paribas Capital Markets.

In the final run-up to the US elections, the Canadian dollar seems to be attracting several investors who will not be happy to put funds into its US counterpart until the race for the White House is decided. New Euro-Canadian paper is currently stimulating the interest of a much wider group of investors than just the Continental retail accounts whose appetite has propelled the sector so far this year.

The Eurofima deal carries a 1996 maturity, making it one of the very few deals over seven years to come to the sector with such success recently. It

INTERNATIONAL BONDS

was well bid at a discount of 1.75, comfortably within total fees.

Salomon Brothers International was the lead manager on the week's third issue in the Australian dollar sector which saw two new deals on Monday including a particularly successful issue from ANZ. Yesterday's two year A$75m deal for the Bank of Nova Scotia was the largest so far this week and also carried the highest coupon of the three. At 14½ per cent this was at a level even higher than that seen on Monday's NZ$80m issue for BP America.

The high coupon on the Bank of Nova Scotia deal was expected to generate good retail demand with the traditional Benelux retail investors seen as buyers.

Nomura International led the first Japanese equity warrant deal for some time with a $150m four year issue for Tokyo Electron on which the coupon is indicated at 5 per cent. The deal was bid around a level equal to its total fees.

Electricité de France made a rare appearance in the Swiss capital market with a SFr100m 15 year issue via Union Bank of Switzerland. The deal carries the Republic of France guarantee and is expected to meet good demand.

Credit Commercial de France led a Ecu60m six year deal for Crédit Foncier which met a good reception despite the heavy volume of new paper issued in the sector recently. The new deal is fungible with an outstanding issue by the same borrower, over which it offered a generous yield premium at launch.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tokyo Electron Ltd‡	150	(5)	100	1992	1½/2¼	Nomura Int.
CANADIAN DOLLARS						
Eurofima◆	100	10⅜	101⅞	1996	1⅞/1⅝	Bq Paribas Cap.Mkts
Quebec◆	35	10½	101½	1993	1¼/1⅝	BIL
AUSTRALIAN DOLLARS						
Bank of Nova Scotia◆	75	14½	101½	1990	¾/½	Salomon Bros.
D-MARKS						
Final terms fixed on :						
Dynic Corp(a)‡◆	60	2¼	100	1993	2¼/1½	Deutsche Bank
Hokuriku Elec. Ind.(a)‡◆	100	2¼	100	1993	2¼/1½	Nomura Europe
SWISS FRANCS						
Electricite De France(b)◆	100	4¾	100½	2003	n/a	UBS
Modo◆	100	5	101¼	1999	n/a	Credit Suisse
ECUs						
Cred.Foncier De France(c)◆	60	7⅝	101⅞	1994	1¼/⅝	Credit Comm.De France
STERLING						
EIB◆	100	10	100¼	1997	1¼/⅝	Kleinwort Benson

*Not yet priced. **Private placement. ‡With equity warrants. ◆Final terms. (a) Coupon fixed as indicated. (b) Call option after 7 years at 101½, declining by ¼ point annually. (c) Fungible with Credit Foncier's outstanding ECU bond due April 14 1994.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.82
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.94
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.59
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.92
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.83
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.83
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.92
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.23

Average price change... On day +0 on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.83
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.95
Eurofima 6¼ 96	100	102¼	102¾	0	−0⅛	5.83
Elec De France 5¾ 97	300	98⅜	98⅞	0	+0¼	5.95
Forsmark Krtg. 5⅛ 93	200	97⅞	98⅜	0	+0¼	5.61
I.A.D.B. 6 97	200	100	100½	0	+0¼	5.96
Japan Dev. Bk. 5⅜ 95	300	†97½	98	0	0	5.79
Japan Finance 5¾ 97	100	97¼	97¾	−0⅛	+0½	6.14
Ireland 6½ 97	300	101½	102	0	+0½	6.22
Korea Dev BK 6⅜ 93	100	102½	103	−0⅛	−0¼	5.92
Malaysia 6¼ 94	150	99⅞	100⅜	−0⅛	−0⅜	6.21
Nat. West BK. PLC 6 98	300	†98⅛	98⅝	0	+0⅛	6.22
Nippon Telg.&Tel. 6 95	400	†101⅝	102	0	+0⅝	5.98
Oesters. Kontbk. 5 93	300	99⅛	99⅝	+0⅛	+1¼	5.16
Portugal 5¼ 92	150	100¼	100¾	0	−0⅛	5.59
Portugal 6⅝ 95	150	102½	103	0	+0½	6.11
Privatbanken 5¼ 93	150	97½	98	0	+0½	5.84
Royal Insurance 5½ 92	300	100⅛	100⅝	0	0	5.37
Soc Cent Nuclear 7¼ 95	150	103⅛	103⅞	0	+0⅛	6.56
Turkey 6½ 95	500	†98	98½	0	0	6.83
Westlb. Finance 5 93	200	*†98¼	98¾	0	0	5.45
World BK. 6¾ 97	600	101¾	102¼	0	0	5.85

Average price change... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101¾	102	−0¼	−0¼	4.74
Asfinag 5 03	100	†101	101½	+0¼	0	4.88
B.F.C.E. 4½ 98	200	†98¾	99	+0⅛	0	4.64
B.M.W.Fin.Neth. 5 13	150	†95½	96	−0¼	+0½	5.31
Britannia B/S. 4¾ 94	100	†97¾	98	+0⅛	+0½	4.68
CIR. Int. W/W 3 93	125	†99¾	100	−0⅛	+0⅛	3.03
Credit Lyonnais 4¾ 00	100	†97½	98	+0⅛	0	5.01
E.I.B 4⅝ 98	150	†99½	100	0	0	4.65
Fletcher Chall. 4⅞ 98	150	†97	97½	0	+0½	5.25
Kobe City 4⅝ 98	150	†99	99⅛	0	+0¼	4.74
Leeds Perm. B/S. 4⅛ 93	200	†98	98¼	+0⅛	−0¼	4.59
Malaysia 5⅛ 98	100	†98½	99	0	−0¼	5.41
Maxwell Comm.Crp. 5 95	150	†101½	101¾	0	−0⅛	4.71
Nationwide Ang.B/S. 4 93	200	†97¼	98	0	+0¼	4.51
Nippon Telg.&Tel.4¼ 95	200	†99	99⅛	0	+0⅛	4.40
Oesters.Ktbk. 5 03	75	†99½	100	0	0	5.02
Rep.National Bk. 4 93	150	†97	97½	+0¼	+0⅜	4.31
Thailand 4⅝ 95	200	†95¾	96¼	0	−0¼	5.34
World Bank 5 03	150	†100¼	100½	+0¼	+0¼	4.96

Average price change... On day +0 on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101⅛	101⅞	−0⅛	−0⅛	4.89
Belgium 4⅝ 94	45	97⅜	97¾	−0⅛	−0¼	5.14
Canada 4⅜ 92	80	98⅜	98⅝	−0⅛	−0⅛	4.82
Elec. De France 5⅛ 94	20	100⅛	100⅝	−0⅛	−0⅛	5.04
Ireland 5¼ 93	30	99⅞	100¼	0	+0⅛	5.12
Norway 5⅛ 95	50	99¼	100	0	0	5.14
Rep. of Italy 5¾ 92	150	102⅞	103¼	+0¼	−0⅛	4.74
Sweden 4⅝ 93	50	98⅝	98⅞	−0⅛	0	4.93
World Bank 5½ 92	50	102⅞	102⅞	−0⅛	0	4.71

Average price change... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	99¼	99⅞	+0⅛	−0⅛	10.37
Alg. Bk. Ned. 5½ 92 FL	150	98	98⅜	−0⅛	0	6.13
Alg. Bk. Ned. 5¾ 93 FL	200	98⅞	99⅛	−0⅛	−0⅛	6.04
Amro Bank 6¼ 92 FL	150	100¼	100¾	−0⅛	+0⅛	6.05
Aust.Ind.Dev. 12¾ 93A$	100	98⅞	99	−0⅛	−0¼	13.24
Barc. Bk. 10¼ 97 £	250	97¾	98¼	+0⅛	+0⅝	10.59
BP Capital 9¾ 93 £	100	97⅛	97⅝	−0⅛	−0¼	10.48
British Airways 10 98 £	100	96	96½	+0½	+0⅜	10.63
Bubrmann-Tet. 6¼ 93 FL	100	100⅛	100⅝	0	0	6.27
C.I.B.C.Mort.10¾ 93 C$	100	†100⅞	101⅜	+0½	+1¼	10.38
Comm.Bk.Aust. 12⅝ 93A$	100	96⅞	96⅞	+0¼	+0¼	13.49
Coop.Ctr.Rabo.6¼ 93 FL	100	101⅜	101⅞	0	+0⅝	5.80
Coop.Ctr.Rabo.6 92 FL	200	101¼	101¾	+0⅛	+0¼	5.53
Denmark 7¾ 92 ECU	100	102⅛	102⅝	−0⅛	+0⅛	6.89
Dixons 11 95 £	90	†99⅞	100⅜	0	+0⅞	11.29
Deut.Bk.Aust.12¼ 95 A$	70	100	100½	+0¼	+0⅛	12.65
Eastman Kodak 13 90 A$	100	97⅞	98⅜	−0⅛	−0⅛	14.15
E.I.B. 7 96 LFr	100	*†98¼	98¾	0	0	7.31
Elec.France 10¾ 95 C$	125	†100½	101	+0½	+1⅛	10.06
Euratom 7⅜ 97 ECU	145	97⅜	98	−0⅛	+0¼	7.75
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†99¾	100¼	+0½	+1⅛	9.71
Ford Cr.Can.10⅞ 93 C$	100	†101⅞	102⅜	+0½	+0⅝	10.08
Gillette Can. 9⅝ 93 £	70	†93⅛	93⅝	0	+0⅛	11.47
G.M.A.C. 9⅞ 93 C$	150	†98⅜	98⅞	+0½	+0½	10.11
G.M.A.C. 9¼ 92 C$	75	†94¼	95¼	0	0	11.06
G.M.A.C Aus. Fin.14 90 A$	50	99⅞	100⅜	−0⅛	−0⅜	13.88
Halifax BS 10⅜ 97 £	100	97¾	98¼	0	+0⅛	10.73
Imp Chem Inds 10 03 £	100	97⅛	97⅞	+0⅛	+1	10.31
Inv. Industry Int. 10 93 £	60	97½	98	−0¼	−0¼	10.66
Lloyds Bank 10¼ 98 £	150	96⅛	96⅜	+0½	+1	10.84
Montreal Tst. 10¾ 93 C$	100	†100⅞	101¼	+0½	+0½	10.44
Nat. West. Bk. 13⅛ 92 A$	50	†98⅞	99⅛	+0⅝	+0½	13.48
Nationwide BS 10⅛ 93 £	75	97½	98	−0½	−0⅛	10.75
Ned. Midd. Bank 6 92 FL	150	99⅞	100⅜	−0⅛	0	5.98
New Zealand 9½ 93 £	100	96	96½	−0⅛	−0⅛	10.55
New Zealand 7¾ 93 ECU	200	100⅞	101⅜	0	+0⅝	7.49
Oesters. Ktbk. 13⅜ 94 A$	75	101½	102⅛	+0⅛	+0⅛	13.15
Philips Gloeil. 6 93 FL	300	99⅞	100¼	0	0	5.99
Prudential Fin. 9⅞ 07 £	150	†91⅜	91⅞	0	+0⅛	10.40
Royal Bk. Scot. 10⅞ 98 £	125	98⅛	98½	+0¼	+0¼	10.96
Saskatchewan 9⅞ 91 C$	150	†99⅞	100¼	+0½	+0¼	9.84
S.D.R. 7¾ 95 ECU	90	†99⅜	99⅞	−0¼	0	7.81
World Bank 5¾ 92 FL	100	99½	100⅛	−0⅛	0	5.82
World Bank 13⅜ 92 A$	100	†100¼	100¾	−0⅛	−0¼	13.14
Zentrspk. 13¼ 93 A$	75	98⅜	98⅞	0	−0¼	13.64

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.62	99.67	21/01	10.99
Belgium 91 US	0	100.48	100.58	21/02	9
Britannia 5 93 £	0⅛	99.85	99.90	10/01	12.12
Chase Manhattan Crp. 91 US	0⅛	99.62	99.80	22/02	8.94
Citicorp 98 US	†0¼	97.75	98.00	30/11	8.94
EEC 3 92 DM	†0	101.00	101.10	22/02	5.63
Halifax BS 94 £	.1	99.84	99.89	9/11	11.16
Invt. In Industry 94 £	0	100.03	100.14	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.00	100.05	13/01	10.44
Midland Bank 01 £	.1	95.75	96.75	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.83	99.89	30/12	12.06
New Zealand 5 97 £	.07	99.74	99.84	18/11	11.62
New Zealand 5 01 US	0	99.95	100.05	4/02	8.62
State Bk. New. 98 US	.188	100.41	100.51	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.83	99.87	13/01	12.12
Woolwich 5 95 £	0⅛	99.71	99.76	21/11	11.62

Average price change... On day 0.00 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcon 6¼ 02 US	8/87	62.	104⅝	105⅝	−0⅛	18.50
Alco Health 6¾ 01 US	†7/86	26.25	93	95	−1	3.89
Amer. Brands 7¾ 02 US	9/87	56.7	104⅝	105⅛	−0⅛	9.48
Ashikaga Bank 2⅞ 02 US	4/87	967.	131⅞	132⅞	+0⅞	4.48
Asics 5 92 DM	12/83	472.7	189⅞	190⅞	0	13.28
CBS. Inc. 5 02 US	†4/87	200.	96½	97½	−0⅝	9.92
Fujitsu 3 99 US	5/84	1106.	241⅝	242⅝	+3⅝	−0.18
Kinki-Sogo Bk. 2⅞ 03 US	*†4/88	1069.	130	131	0	4.12
Land Secs. 6¾ 02 £	6/87	6.72	95⅝	96⅝	+0¼	10.51
MCA INC 5½ 02 US	9/87	69.62	82⅞	83⅞	+0⅛	22.71
Minolta Camera 2¼ 94 DM	2/86	1004.	97¼	98½	+0¼	34.56
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	118½	120⅛	−2	2.36
Mitsui trust 2⅞ 01 US	10/86	1903.	139⅝	140⅝	−2⅛	6.39
Next PLC 5¾ 03 £	11/87	4.3	100⅛	101½	+0⅛	139.94
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	108	109½	−0⅛	9.29
Omron Tateisi 2⅝ 02 US	4/87	1310.	180⅝	182	+0⅛	−2.71
Primerica 5½ 02 US	4/87	66.75	66¼	67¾	−0⅛	57.72
Ranks Hovis 4¾ 03 £	1/88	3.5	113⅞	114⅞	+0⅛	4.25
Redland 7¼ 02 £	1/87	5.4	90⅛	91⅝	−0	12.35
Saatchi & Stchl. 6¾ 03 £	†10/89	4.41	99½	100½	0	21.82
Texas Inst. 2¾ 02 US	9/87	82.87	74¼	75¼	+0⅛	52.96
W.R. Grace 6¼ 02 US	9/87	42.12	79⅛	80⅛	+0⅛	30.87

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Central banks 'will act to halt $ rise'

By Our Financial Staff

CENTRAL BANKS are ready to act if the dollar exchange rate threatens to rise sharply again, according to Mr Eckard Pieske, director of the West German Finance Ministry's monetary policy department.

Speaking at an international banking conference in Lugano, Mr Pieske said it was the determined will of at least the Group of Seven, reiterated three weeks ago in West Berlin, to pursue a policy aimed at exchange rate stability.

"The central banks of not only the (G-7) summit countries have recently shown energetic resistance in various ways when the dollar rate threatened to break out in an upwards direction, and they will continue to do this," he added.

"I have the impression that the financial markets have understood the relevant signals from the monetary authorities," he said.

Stressing the need for stability, Mr Pieske said renewed dollar depreciation would check economic growth worldwide and would boost US inflation.

On the other hand, further appreciation of the dollar would bring the process of reducing the US balance of payments deficit to a halt and encourage demands for trade restrictions.

Warming to his theme, Mr Pieske stressed, however, that further interest rate rises should be avoided because of their serious consequences for developing countries.

A rise of one percentage point in dollar interest rates causes a $5bn increase in developing countries' interest payments, he said. Thus since April their annual interest burden had climbed by around $7bn.

He urged industrial nations to aim for low inflation and make greater use of fiscal policy to take the pressure off monetary policy to reduce the need to raise interest rates.

"If we want a lasting reduction in interest rates, we must strengthen private saving, for example by removing the ability to offset interest payments for mortgage and consumer credits against tax.

"We must also reduce public sector deficits. Both steps must be taken above all in countries having to fight current account balance of payments deficits."

Referring to the US presidential election in November, he urged the new president and Congress to take serious steps to cut the US budget deficit further. "It was in America's own interests to do so," he declared.

Ministry plan for Japanese bond market

THE JAPANESE Finance Ministry is considering creating a market where traders can borrow bonds for a certain period, enabling short sales of government securities, Reuter reports from Tokyo.

The ministry is now collecting data on overseas bond repurchase (repo) markets and opinions from the industries concerned, and details have yet to be worked out, the ministry said.

The market, which could be in operation by April next year, would cut traders' costs of financing trading inventories and open up investment opportunities for institutions with significant bond holdings, the official said.

Mixed midsession for Treasuries as oil dips

By Janet Bush in New York, George Graham in Paris, and Simon Holberton and Dominique Jackson in London

US TREASURY bonds traded mixed at midsession yesterday with the focus on the dollar, crude oil prices and continuing uncertainty about whether a long bond will be auctioned in the November quarterly refunding.

At midsession, short-dated maturities were virtually unchanged from Monday's close while the long end was as much as ⅜ point lower. The Treasury's benchmark 30-year issue was quoted ⅛ point lower for a yield of 8.87 per cent.

Earlier, the long bond had traded as much as ⅛ point higher on expectations that the necessary legislation would not be passed before Congress breaks up to give the Treasury authority to issue more long bonds. However, as the session wore on, opinion seemed to shift in favour of the authority being given.

Otherwise, oil prices continued to be a factor. Crude for November delivery was yesterday morning quoted at $14.80 a barrel on the New York Mercantile Exchange, 41 cents below Monday's close. However, this weakness was seen merely as a technical correction and there is some nervousness that prices could rise again if Gulf oil producers manage to agree to a revised production pact.

The dollar fell back again yesterday to Y126.75 compared with Y127.95 earlier and DM1.8048 after DM1.8208 earlier. There were no major economic releases yesterday.

THE BANK of France yesterday raised its official intervention rate by a quarter of a percentage point to 7.25 per cent at its money market tender.

The increase follows a rise in interest rates at the previous day's weekly Treasury bill auction, where 13 week bills were sold at 7.75 per cent, compared with 7.36 per cent a week earlier, and a build-up of pressure on the French franc in the currency market.

Higher interest rates were already discounted in the bond market, after Mr Pierre Bérégovoy, the Finance Minister, had said at the weekend that he would raise interest rates if necessary, rather than considering a realignment of the franc's exchange rate within the European Monetary System.

The Matif long bond future, which had fallen sharply the previous day, regained 15 points to 105.80.

The French central bank yesterday left the bill repurchase rate, which usually marks upper bracket for money market interest rates, unchanged at 7.75 per cent, restoring the usual margin of half a percentage point above the tender rate.

GOVERNMENT BONDS

UK GOVERNMENT securities were yesterday largely unmoved by a slight weakening in sterling and official figures showing an unexpected rise in government borrowing in September. In an active day's trading, they tended to edge higher.

Index-linked issues were keenly sought and prices for stocks with maturities past 2000 rose uniformly by a point. Demand for index-linked issues, which appears to be sustained by latent inflation concerns, was sufficient to exhaust finally a £400m tap of 2 per cent Treasury 1994s which the Bank of England first offered on June 2.

The market for conventional stocks was quite strong. Rumours abounded of foreign interest in the market, though this appeared to be more heard than seen; some attributed the market's vigour to book repositioning by market makers.

The December long gilt contract on Liffe was well traded. In all 33,339 contracts were traded. The December gilt peaked at 97¾, its highest level since it began trading at the beginning of June, but closed down at 97⅞.

WEST GERMAN government bonds were barely changed in very light volume as dealers waited in vain for some fresh incentives from the foreign exchanges. Although prices derived some support from a marginally stronger tone to the D-Mark, potential price rises were limited by the light profit taking which has been seen over the last couple of days.

The average yield on all public paper rose marginally to 6.14 per cent at the fixing from 6.13 per cent yesterday while the latest 10 year 6 per cent federal government issue was also fixed slightly higher to yield just over 6.4 per cent. Although the Bundesbank is widely expected to issue a new bond shortly, further details on the timing were not available yesterday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	6/92	111-07	+2/32	9.97	10.03	10.55
		8.750	9/97	95-01	+1/32	9.59	9.61	10.10
		9.000	10/08	100-18	+14/32	8.94	9.01	9.44
US TREASURY*		9.250	8/98	103-02	+1/32	8.77	8.76	8.92
		9.125	5/18	102-18	-4/32	8.89	8.87	9.01
JAPAN	No 105	5.000	12/97	101.5009	-	4.78	4.84	5.11
	No 2	5.700	3/07	106.2043	-0.204	5.06	5.06	5.36
GERMANY		6.500	5/98	100.6250	+0.050	6.43	6.48	6.60
FRANCE	BTAN	9.000	7/93	101.5952	+0.132	8.55	8.44	8.57
	OAT	8.500	6/97	98.6000	+0.125	8.72	8.53	8.84
CANADA*		9.500	10/98	98.7500	+0.625	9.70	9.80	10.02
NETHERLANDS		6.500	7/98	101.8750	-0.100	6.27	6.31	6.57
AUSTRALIA		12.500	1/98	103.2010	+0.112	11.90	11.85	11.60

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Murdoch group signs $2bn credit facility

By Stephen Fidler

FINANCING OF mergers and acquisitions continues to provide the focus of much activity in London's international syndicated loans market.

Yesterday, Mr Rupert Murdoch's News International signed a $2bn credit facility to help finance the proposed $3bn acquisition of Triangle Publications, a private US publishing company which includes TV Guide among its titles.

Midland Montagu, which co-ordinated the financing, said the facility, which had been underwritten by 10 banks, comprised two equal tranches: a short-term facility and a five-year revolving credit.

Repayments of principal on the medium-term credit begin after three-and-a-half years, and both parts of the loan carry margins of ½ percentage point over London interbank offered rates and commitment fees of ⅜ per cent.

Montagu, which said it would launch primary syndication of the medium-term credit later this month, said further financing had been arranged by News America Publishing, a North American affiliate.

Syndication will begin over the next two weeks of a £530m, five-year facility for Daily Mail and General Trust, which launched on Monday a recommended offer for Associated Newspapers, of which it already holds 49.95 per cent.

Citicorp has agreed to underwrite the entire financing, the agreement for which has already been signed. The margin starts at 1 point over Libor, which will fall to ⅝ point when the facility is reduced to £300m after 12 months. There is a commitment fee of ⅛ per cent.

Bankers were also focusing on a financing for Elders IXL, which made a £1.6bn bid on Monday for Scottish and Newcastle Breweries.

● Rhône-Poulenc, the French chemicals concern, is increasing the size of its Eurocommercial paper programme to $500m from $275m and has added an option to issue in yen. Daiwa Europe and Citicorp were added to the six-bank dealer group.

Bull proposes $200m perpetual note issue

By George Graham in Paris

BULL, THE French state-owned computer group, is about to launch a $200m fund-raising exercise using the technique of perpetual capital notes pioneered by Rhône-Poulenc, the state-owned chemical company.

Air France, the state-controlled airline, is also expected to follow suit shortly with an issue of perpetual notes, although it said yesterday that it was considering other financing techniques as well.

The issues, using a complex repackaging of perpetual notes to give the issuer the closest possible equivalent to equity capital, appears to provide a convenient escape route for France's state-sector companies, many of which are in urgent need of fresh funds but which cannot issue new shares.

On his re-election in May this year, President François Mitterrand ordered a halt to privatisation issues.

The French tax authorities, however, are paving the way for restrictive fiscal treatment for the perpetual notes which would – in theory – make them unattractive to future issuers.

The notes are repackaged after issue so that the perpetual notes are in fact paid off after 15 years, using accruing US Treasury zero coupon bonds bought with a prepayment of interest on the notes.

This leaves the issuing company with 75 per cent of the value of the issue as capital.

Bull's $200m issue, expected to be announced today or tomorrow, will be led by J.P. Morgan.

The technique has so far been used only in France, mostly by the public sector. But investment bankers say it is of equal interest to private sector companies and can be a cost-effective way of raising quasi-capital for private companies.

As such, the technique could be applied in countries other than France.

French taxman takes a dim view

George Graham on fiscal opposition to a hybrid form of capital

THE IDEA of perpetual capital notes began in Puerto Rico in 1982. They have come a long way since then and appear to have found their true calling among France's state-owned companies.

Rhone-Poulenc, the chemical group, started the ball rolling with a $1.3bn issue, the largest deal ever done in the international capital markets for a French borrower without the guarantee of the state.

Credit Lyonnais, the state-owned bank, followed suit with a $350m issue, and two other French state sector companies, Bull and Air France, have issues in the pipeline. And, as if to prove that the instrument works for the private as well as the public sector, two other banks, Batif and Compagnie Bancaire, have made $200m issues.

Perpetual capital notes transform as nearly as possible into the equivalent of preferred equity. But the French fiscal authorities are contesting whether repayments are tax-deductible, which could make the method less attractive to future issuers.

The basic technique of the Rhone-Poulenc issue has been repeated by subsequent issuers, though in smaller sizes. A $1.3bn issue of perpetual subordinated notes was bought by Merrill Lynch, the US investment bank, at an interest rate of around 100 basis points over Libor.

Rhone-Poulenc made a prepayment of interest due on the perpetual notes from their sixteenth year onwards, equivalent to around 25 per cent of the value of the issue. Merrill then repackaged the issue to sell on to end-investors as Credit Enhanced Perpetual Capital Notes, buying with the prepaid interest US Treasury zero coupon bonds, which will accrue to pay off the principal of the perpetuals in 15 years time.

The completion of the deal, however, required a good deal of additional legal and fiscal high technology from Shearman and Sterling, the firm of lawyers, and Coopers and Lybrand, the accountancy firm.

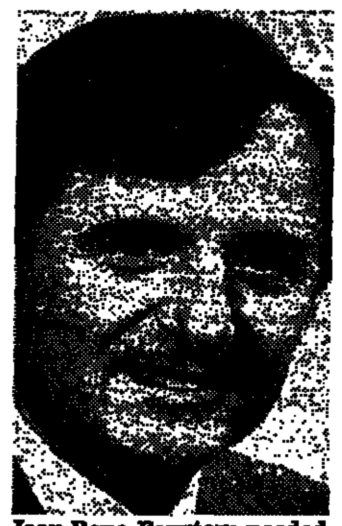
The basic idea of using zero coupon bonds to pay off the principal was used by Merrill Lynch for Puerto Rico in 1982, and underlay the big deal attempted by Morgan Guaranty for Mexico last year.

Banque Stern and its new parent Swiss Bank Corporation, followed similar lines with issues for Batif and Compagnie Bancaire to those used by Merrill for Rhone-Poulenc and Credit Lyonnais.

For the issuer, the face interest rate is on the high side – though not the 300 to 400 basis points it might have to pay to issue straightforward perpetual bonds, a market which collapsed spectacularly in 1986 – but the proceeds can be treated as capital.

For French state-owned companies, which have had to come to terms with the standstill of the privatisation programme since the stock market crash a year ago, and more definitively since the re-election of President François Mitterrand in May, interest in the technique is understandable.

Many of these companies, especially Rhone-Poulenc, whose chairman, Mr Jean-Rene Fourtou, has spent more than FFr20bn on acquisitions in the



Jean-Rene Fourtou: needed badly to raise more capital

last two years, needed badly to raise more capital, but had already reached the limit for issues of non-voting certificates of investment (CIs).

Investor appetite for new CIs is, in any case, distinctly jaded, while even new issues of ordinary equity have not been easy since the stock market crash. Most French companies tapping the equity market lately have used combinations of convertible bonds and warrants to tempt investors.

For banks, the perpetual notes will also help to meet the new prudential ratios agreed by the Cooke Committee of the Bank for International Settlements. For Batif and Compagnie Bancaire, they will enter into the second tier of capital, but Credit Lyonnais, which has added to the subordination of the notes the fact that interest is not cumulative in the event of non-payment, believes its notes will be accepted as first tier capital. Not all bankers share this interpretation.

The technique could interest a wide range of companies in France and elsewhere in Europe which have need of capital but want to avoid the dilution, both of their voting control and of their earnings per share, that would follow an issue of ordinary equity. Depending on market conditions, it may also be cheaper than raising equity, which needs to be sustained by dividend payments.

But the French fiscal authorities appear to be adopting a restrictive view of how much of the payments companies may deduct from their tax bill as interest, and how much constitutes repayment of capital. Although Bull and Air France have already fixed the tax conditions for their operations, this could call a halt to future issues.

Budget ministry officials have indicated that in future they will treat the prepayment of interest, used to buy the zero coupon bonds, as non-deductible, and will only allow a portion of the annual interest payments to be deducted. Accountants are contesting this treatment, which they say has no basis in the legal texts.

The final question mark hangs over the accounting treatment for the issuer. Some auditors appear unlikely to accept the issues as capital, which reduces the attraction.

Mr Gilles Oudiz of Banque Stern, said: "As pure debt, it remains a profitable operation, but that is not really the point."

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday October 18 1988	Mon Oct 17	Fri Oct 14	Thu Oct 13	Year ago (approx)
1 CAPITAL GOODS (210)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (57)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (486)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (123)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (77)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (710)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ♦	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES		Tue Oct 18	Day's change %	Mon Oct 17	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	120.07	+0.15	119.89	-	9.71
2	5-15 years	137.67	+0.39	137.33	-	11.51
3	Over 15 years	149.16	+0.47	148.46	-	12.84
4	Irredeemables	174.27	+0.76	172.95	-	[illegible]
5	All stocks	134.73	+0.33	134.29	-	11.16
	Index-Linked					
6	5 years	129.72	+0.27	129.36	-	1.81
7	Over 5 years	125.39	+0.60	124.65	-	2.96
8	All stocks	125.55	+0.57	124.84	-	2.85
9	Debentures & Loans	118.68	+0.27	117.77	-	9.40
10	Preference	89.88	-	89.88	-	5.00

AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 18	Mon Oct 17	Year ago (approx.)
British Government				
1 Low Coupons	5 years / 15 years / 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years / 15 years / 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years / 15 years / 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflation rate 5%	5yrs / Over 5yrs	[illegible]	[illegible]	[illegible]
13 Inflation rate 10%	5yrs / Over 5yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years / 15 years / 25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

[illegible] † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p. CONSTITUENT CHANGES: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	105	0	7
Corporations, Dominion and Foreign Bonds	24	1	24
Industrials	423	356	812
Financial and Properties	200	115	355
Oils	23	26	56
Plantations	3	1	9
Mines	69	14	106
Others	121	31	108
Totals	968	544	1,477

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Oct 10
- Last Dealings Oct 21
- Last Declarations Jan 12
- For settlement Jan 23

For rate indications see end of London Share Service

Calls were taken in Lonrho, Jaguar, BDA, Scot & Newcastle DRG, Sterling Grp, GT Management, BP, Trimoco, NEI, Bula Res, Brooks Tool, Blue Arrow, ASDA, Wimpey, G.M. Firth, Eagle Trst, Norex, ERA Group, NMW Computers. Puts in ASDA, Blagden, Brent Walker, Lonrho. P/C in N. Kalgurli.

LONDON TRADED OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 18 Total Contracts 40,967 Calls 28,646 Puts 12,321

FT-SE Index Calls 1315 Puts 4531

*Underlying security price.

INTERNATIONAL COMPANIES AND FINANCE

Pebereau stake-building fuels market speculation

By Paul Betts in Paris

MR Georges Pebereau, the former chairman of France's Compagnie Générale d'Electricité (CGE), is causing a stir on the Paris bourse by building up stakes in several French privatised groups through his recently formed Marceau Investissements investment bank.

Marceau Investissements, whose capital was increased this month to FFr1.8bn ($292m), has increased its stake in Société Générale, the country's biggest privatised commercial banking group, from 0.6 per cent to between 2 and 3 per cent during the past few months.

Mr Pebereau's bank has also increased its stake in Compagnie Financière de Suez and acquired positions in Paribas and CGE, his former telecommunications and heavy engineering group.

Mr Pebereau's manoeuvres have provoked a wave of speculation that the former CGE chairman, an accomplished international dealmaker and financial virtuoso, is on the verge of launching a number of spectacular operations in the newly privatised company sector.

Indeed, there have been a series of rumours that Mr Pebereau and a number of his French and international financial partners had already accumulated 10 per cent or more of Société Générale.

Société Générale shares have been heavily traded in recent weeks, but the large privatised bank has claimed that 51 per cent of the voting rights in the group were held by friendly investors including 30.3 per cent in its so-called hard core of stable shareholders.

But Mr Pebereau does not appear at present to have any hostile intentions towards the privatised groups.

Indeed, while he has increased his stake in Société Générale, the large privatised bank appears in turn to be planning to buy a stake in Marceau Investissements.

However, the former CGE chairman seems to be seeking to play an increasingly active role in the broad financial strategies of the privatised groups in which Marceau Investissements has acquired stakes.

Mr Pebereau created Marceau Investissements after he was replaced by the former right-wing government at the top of CGE shortly after he negotiated the landmark telecommunications agreement between CGE and ITT giving the French group control of ITT's telecommunications interests.

Mr Pebereau has succeeded in building Marceau Investissements into an increasingly significant player on the Paris financial scene with the help of key partners like Mr Gustave Leven, the veteran chairman of Perrier, and Mr Jean-Louis Descours, the head of the André shoe group.

Nearly 50 per cent of Marceau Investissements shareholders are foreign investors, including among them ITT which owns a 6 per cent stake in Mr Pebereau's investment bank.

Mr Pebereau also acquired this month a 10 per cent stake in Wagons-Lits, the Franco-Belgian diversified travel and tourism group, famous for its railway sleeping cars, by forming a joint venture with the Caisse des Depots, the large French state financial institution whose chairman Mr Robert Lion has long been a close friend of Mr Pebereau.

UK group sets up new tax-exempt index fund

By Barry Riley in London

THE RECENT series of launches of index-matching funds has continued with the introduction of a new UK Index Exempt Fund by County NatWest Investment Management.

It is claimed to be the first index fund to be tailored to the needs of small and medium-sized tax-exempt pension funds and charities.

Index funds are designed to match as closely as possible the performance of a selected stock market index, in this case the FT-Actuaries All-Share Index. CWIM is one of the leaders in this field in the UK, and already runs some £3bn ($5.2bn) of index-tracking portfolios, mostly for large pension funds. It says that during the past three years its funds have tracked the index to within 0.03 per cent on an annualised basis, ignoring management fees.

The new fund has started with £20m but another £20m to £40m is said to be waiting for subscription. As an incentive, CWIM is waiving front end charges for the next two monthly dealing dates. Beyond that the charge will be 5 per cent on the minimum £50,000 subscription, falling to 0.65 per cent on £10m-plus investments. The annual management fee is 0.1 per cent.

CWIM uses a risk matching approach to achieve close tracking, instead of full replication. Initially the portfolio will contain 250 stocks rather than the 711 in the All-Share Index. As the fund gets bigger the number of stocks may rise to an eventual 450.

Sedgwick acts on employee benefits business

By Nick Bunker in London

LONDON-based Sedgwick Group, the world's second largest insurance broker, is setting up a new company, Sedgwick Financial Services, with 550 staff and current annual turnover of about £25m ($43.5m), to integrate and develop its European and Far Eastern pensions, employee benefits, and personal financial planning business.

With 20 actuaries and 1,500 corporate pensions clients in the UK, Sedgwick already ranks about fourth biggest among British based employee benefits consultants. Mr David Strauss, Sedgwick Financial Services' chief executive, said yesterday the new company would bring together the group's existing European, Asian and Pacific Basin employee benefits businesses, with a particular emphasis on serving transnational corporate clients in the European Community in the run-up to 1992.

Mr David Rowland, Sedgwick Group's chief executive, said the goal was to raise employee benefits and financial services turnover from the present 8-10 per cent of group turnover to about 15-20 per cent.

The group has in the past been criticised by some commentators for failing to match the global employee benefits and financial services expansion of its major rivals, New York-based Marsh & McLennan and Alexander & Alexander.

Rales raise cash bid for Interco to $2.73bn

By Rob Vincent in New York

AN INVESTOR group has improved its bid for Interco, the St Louis based manufacturer of clothing and shoes. The group, led by Steven and Mitchell Rales, lifted its hostile bid from $70 to $74 a share.

The $2.73bn cash offer will put new pressure on Interco's management offer which at $76 a share is a mixture of cash and subordinated debentures, say analysts,

Interco has plans to restructure the group in the face of the bid and said last month that the plan was designed to deliver shareholders the present value of at least $76 a share.

But analysts believe that the latest offer from the Rales brothers is going to be hard to beat.

Financing for the Rales offer is to be secured through Drexel Burnham Lambert and a syndicated led by Chase Manhattan Bank.

The Rales' offer has been extended to October 31.

Anglovaal Group

Mining companies' reports – Quarter ended 30 September 1988

All companies mentioned are incorporated in the Republic of South Africa.

All financial figures for the quarter and progressive figures for the current year to date, including those of Loraine Gold Mines, Limited, are unaudited.

Rate of exchange on 30 September 1988: R1,00 = £0,24, £1,00 = R4,23.

Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves.

Shareholders requiring copies of these reports regularly each quarter, should write to the Secretaries, Anglo-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST.

Hartebeestfontein Gold Mining Co Ltd

Reg. No. 05/03905/06

Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 30 Sept 1988	Quarter ended 30 June 1988	Financial year ended 30 June 1988
Operating results			
Gold			
Ore milled ... t	794 000	802 000	3 194 000
Gold recovered ... kg	7 466	7 509	30 778
Yield ... g/t	9,4	9,4	9,6
Revenue ... R/t milled	330,37	301,56	298,58
Costs ... R/t milled	146,27	137,22	128,68
Profit ... R/t milled	184,10	164,34	169,90
Revenue ... R/kg	35 182	32 208	30 985
Costs ... R/kg	15 577	14 656	13 354
Profit ... R/kg	19 605	17 552	17 631
Revenue ... R000	262 316	241 853	953 661
Costs ... R000	116 138	110 053	411 007
Profit ... R000	146 178	131 800	542 654
Low-grade gold plant			
Ore milled ... t	385 000	387 000	865 400
Gold recovered ... kg	598	544	1 206
Yield ... g/t	1,55	1,48	1,39
Revenue ... R/t milled	53,08	48,11	43,52
Costs ... R/t milled	14,20	14,29	12,81
Profit ... R/t milled	38,88	34,82	30,71
Revenue ... R/kg	34 164	33 131	31 229
Costs ... R/kg	9 144	9 638	9 195
Profit ... R/kg	25 020	23 493	22 034
Revenue ... R000	20 430	18 023	37 663
Costs ... R000	5 468	5 243	11 090
Profit ... R000	14 962	12 780	26 573
Uranium oxide			
Pulp treated ... t	794 000	802 000	3 194 000
Oxide produced ... kg	89 912	91 853	386 952
Yield ... kg/t	0,11	0,12	0,12
Financial results	R000	R000	R000
Working profit—gold mining	161 140	144 580	569 227
Profit/(loss) from sales of uranium oxide, pyrite and sulphuric acid	5 521	(1 885)	13 519
Non-mining income	12 512	10 092	32 515
Net royalty receipts	1 466	429	2 090
	180 639	153 216	617 351
Other expenses—interest paid, currency adjustments, stores adjustment and employee service benefits	310	7 906	9 893
Profit before taxation and State's share of profit	180 329	145 310	607 458
Taxation and State's share of profit	113 170	92 333	372 782
Profit after taxation and State's share of profit	67 159	52 977	234 676
Capital expenditure	9 063	12 205	56 919
Appropriation for loan repayments	109	136	624
Dividends	—	101 360	171 360
	9 172	113 701	228 903
Development			
Advanced ... m	10 325	9 886	39 609
Sampling results on Vaal Reef:			
Sampled ... m	1 382	1 048	3 904
Channel width ... cm	67	64	60
Channel value—gold ... g/t	22,0	19,9	22,2
... cm.g/t	1 477	1 279	1 332
—uranium oxide ... kg/t	0,34	0,29	0,31
... cm.kg/t	22,93	18,64	18,42

Financial
The financial results include profits realised on hedging transactions concluded during the quarter.
In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 30 September 1988 borrowings totalled R8 287 000 (1987: R8 836 000), of which long-term borrowings amounted to R8 106 000 (1987: R8 018 000) and short-term to R181 000 (1987: R820 000).

Hedging transactions
The Company has entered into certain option contracts so as to enhance gold revenue should the gold price remain below $450 per ounce during the forthcoming quarter:

Quarter ending	Put options purchased	Call and put options sold
31 December 1988	—	311 kg (10 000 oz.)

In addition the Company had, as at 30 September 1988, sold a portion of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Forward price per kg sold
31 December 1988	2 586	R35 092

The forward price has been calculated at the R/$ exchange rate ruling on 30 September 1988.

Dividend
Final dividend No. 65 of 90,5 cents per share, declared in June 1988, was paid in July 1988.

Capital expenditure
Outstanding commitments at 30 September 1988 are estimated at R17 131 000 (30 June 1988: R11 369 000).

For and on behalf of the board
B. E. Hersov
D. J. Crowe *Directors*

Directors: B. E. Hersov D.M.S. (Chairman), B. L. Bernstein Hon. LL.D, D. J. Crowe, J. J. Geldenhuys, E. P. Gush, G. S. Lee, Clive S. Menell, T. L. Pretorius, J. C. Jansen van Rensburg
Alternate directors: J. H. J. Buske, P. J. Eustace, K. M. Hosking, T. C. Rees, G. J. Robbertze, J. E. van Niekerk, R. A. D. Wilson

19 October 1988

Prieska Copper Mines Ltd

Reg. No. 68/03032/06

Issued capital: 54 000 000 shares of 50 cents each

	Quarter ended 30 Sept 1988	Quarter ended 30 June 1988	Financial year ended 30 June 1988
Operating results			
Ore milled ... t	349 000	364 000	2 145 000
Concentrates produced			
Copper ... t	8 084	8 375	49 030
Zinc ... t	11 881	10 436	74 532
Concentrates despatched			
Copper ... t	10 163	5 117	45 212
Zinc ... t	9 458	8 207	77 123
Financial results	R000	R000	R000
Operating profit/(loss)	9 938	(6 648)	17 163
Non-mining income	566	1 401	3 420
Profit/(loss) before taxation	10 504	(5 247)	20 583
Taxation	6 685	(1 343)	14 820
Profit/(loss) after taxation	3 819	(3 904)	5 763
Capital expenditure/(recoupments)	(264)	(59)	(161)
Dividend	—	—	4 320
	(264)	(59)	4 159
Development			
Advanced ... m	802	800	3 408

Prieska Copper Mines Limited – Continued

Financial
Despatches, which vary from quarter to quarter, are brought to account at their estimated receivable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.

The operating profit for the quarter includes a further provision of R878 000 towards the anticipated costs which will be incurred to comply with statutory and other obligations associated with the enventual closure of the mine. The total amount provided to 30 September 1988 is R10 052 000 (30 June 1988: R9 176 000).

Minimum tax on companies
During the quarter the Company paid R2 146 000 in respect of minimum tax on companies.

Mining operations
Mining operations during the quarter continued at the reduced milling rate of approximately 110 000 tons per month.

Capital expenditure
There were no outstanding commitments at 30 September 1988 (30 June 1988: Nil).

For and on behalf of the board
D. J. Crowe
R. A. D. Wilson *Directors*

Directors: D. J. Crowe (Chairman), R. P. Fitton, C. C. Gadson, B. E. Hersov D.M.S., D. A. Lynch, Clive S. Menell, D. J. Padnault, R. A. D. Wilson
Alternate directors: D. A. Blaine, A. J. Brink, J. J. Geldenhuys, G. J. Robbertze

19 October 1988

Eastern Transvaal Consolidated Mines, Ltd

Reg. No. 01/06442/06

Issued capital: 4 316 678 shares of 50 cents each

	Quarter ended 30 Sept 1988	Quarter ended 30 June 1988	Financial year ended 30 June 1988
Operating results			
Ore milled ... t	92 200	80 200	345 420
Gold recovered ... kg	940	835	3 535
Yield ... g/t	10,2	10,4	10,2
Revenue ... R/t milled	348,42	342,03	318,77
Costs ... R/t milled	138,73	144,88	128,81
Profit ... R/t milled	209,69	197,15	189,96
Revenue ... R/kg	34 174	32 851	31 148
Costs ... R/kg	13 607	13 915	12 586
Profit ... R/kg	20 567	18 936	18 582
Revenue ... R000	32 124	27 431	110 109
Costs ... R000	12 791	11 619	44 493
Profit ... R000	19 333	15 812	65 616
Financial results	R000	R000	R000
Working profit—gold mining	19 333	15 812	65 616
Non-mining income	914	807	2 594
	20 247	16 619	68 210
Prospecting expenditure	723	1 563	3 983
Stores realisation adjustment	—	(47)	(47)
Profit before taxation	19 524	15 103	64 274
Taxation	8 005	3 223	14 752
Profit after taxation	11 519	11 880	49 522
Capital expenditure	6 415	7 764	35 674
Dividends	—	7 986	13 382
	6 415	15 750	49 056
Development			
Advanced ... m	2 301	1 782	7 240
Sampling results:			
Sampled ... m	847	866	3 335
Channel width ... cm	202	212	178
Channel value ... g/t	12,5	2,6	5,7
... cm.g/t	2 532	556	1 019

Financial
The financial results include profits realised on hedging transactions concluded during the quarter.

Hedging transactions
As at 30 September 1988 the Company had sold a portion of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Forward price per kg sold
31 December 1988	323	R35 092

The forward price has been calculated at the R/$ exchange rate ruling on 30 September 1988.

Dividend
Final dividend No. 76 of 185 cents per share, declared in June 1988, was paid in July 1988.

Capital expenditure
Outstanding commitments at 30 September 1988 are estimated at R9 159 000 (30 June 1988: R4 816 000).

For and on behalf of the board
R. A. D. Wilson
D. J. Crowe *Directors*

Directors: R. A. D. Wilson (Chairman), D. J. Crowe, J. J. Geldenhuys, B. E. Hersov D.M.S., Clive S. Menell, G. J. Robbertze, J. E. van Niekerk
Alternate director: B. J. Funston

19 October 1988

Loraine Gold Mines, Ltd

Reg. No. 05/39136/06

Issued capital: 16 366 986 shares of R1,00 each

	Quarter ended 30 Sept 1988	Quarter ended 30 June 1988	Financial year ended 30 Sept 1988
Operating results			
Ore milled ... t	414 000	388 000	1 533 000
Gold recovered ... kg	2 117	2 177	8 291
Yield ... g/t	5,1	5,6	5,4
Revenue ... R/t milled	181,81	185,82	175,49
Costs ... R/t milled	154,88	150,11	151,39
Profit ... R/t milled	26,93	35,51	24,10
Revenue ... R/kg	35 555	32 912	32 448
Costs ... R/kg	30 289	26 616	27 992
Profit ... R/kg	5 266	6 296	4 456
Revenue ... R000	75 270	71 651	269 028
Costs ... R000	64 121	57 944	232 080
Profit ... R000	11 149	13 707	36 948
Financial results	R000	R000	R000
Working profit—gold mining	11 149	13 707	36 948
Profit/(loss) from sales of uranium oxide and pyrite	20	(247)	125
Non-mining income	3 079	2 153	8 536
Carried forward	14 248	15 613	45 609

Loraine Gold Mines, Limited – Continued

	Quarter ended 30 Sept 1988 R000	Quarter ended 30 June 1988 R000	Financial year ended 30 Sept 1988 R000
Brought forward	14 248	15 613	45 609
Interest paid, stores adjustment and service benefits	1 558	205	2 176
Profit before taxation and State's share of profit	12 690	15 408	43 433
Taxation and State's share of profit	3 425	1 323	6 970
Profit after taxation and State's share of profit	9 265	14 085	36 463
Capital expenditure	10 862	8 802	29 143
Appropriation for loan repayments and adjustments for currency fluctuations	164	31	254
Unlisted investment	—	65	65
	11 026	8 898	29 462
Development			
Advanced ... m	10 101	9 563	38 502
Sampling results:			
Kimberley reefs			
Sampled ... m	400	434	1 044
Channel width ... cm	107	84	97
Channel value ... g/t	7,4	8,9	7,4
... cm.g/t	796	748	711
Basal reef			
Sampled ... m	786	550	2 876
Channel width ... cm	9	8	8
Channel value ... g/t	85,5	113,8	83,8
... cm.g/t	727	910	704
Eldorado reefs			
Sampled ... m	756	870	3 154
Channel width ... cm	126	101	105
Channel value ... g/t	7,7	8,9	8,1
... cm.g/t	970	898	857
Total – all reefs			
Sampled ... m	1 942	1 854	7 074
Channel width ... cm	75	69	65
Channel value ... g/t	11,2	12,5	12,0
... cm.g/t	836	866	773

Ore reserves
The total ore reserve at 30 September 1988, based on a gold price of R33 000 per kilogram, is estimated as follows:

	Kimberley reefs	Basal reef	Eldorado reefs	Total and averages
Tonnage ... t	1 253 000	1 793 000	3 038 000	6 084 000
Stoping width ... cm	118	85	126	109
Value ... g/t	7,9	8,2	9,2	8,6
... cm g/t	934	695	1 162	942

Not included in the Eldorado reefs are massive orebodies estimated to contain a total of 363 600 tons at an average grade of 6,7 g/t.
The pay limit may be adjusted on a quarterly basis to take account of material changes in the gold price.

Financial
The financial results include profits realised on hedging transactions concluded during the quarter.
In terms of the company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 30 September 1988 borrowings totalled R5 716 000 (1987: R5 955 000), of which long-term borrowings amounted to R5 596 000 (1987: R5 768 000) and short-term to R120 000 (1987: R187 000).

Minimum tax on companies
During the quarter the Company paid R1 776 000 in respect of minimum tax on companies.

Hedging transactions
As at 30 September 1988 the Company had sold a portion of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Forward price per kg sold
31 December 1988	646	R35 092

The forward price has been calculated at the R/$ exchange rate ruling on 30 September.1988.

Capital expenditure
Outstanding commitments at 30 September 1988 are estimated at R2 121 000 (30 June 1988: R5 877 000).

For and on behalf of the board
D. J. Crowe
R. A. D. Wilson *Directors*

Directors: D. J. Crowe (Chairman), J. J. Geldenhuys, B. E. Hersov D.M.S., L. Hewitt, K. M. Hosking, G. C. Kraft, G. Maude, Clive S. Menell, S. W. van der Coll, R. A. D. Wilson
Alternate directors: J. H. J. Buske, P. J. Eustace, B. J. Funston, T. C. Rees, G. J. Robbertze, J. E. van Niekerk, K. A. West

19 October 1988

Consolidated Murchison Ltd

Reg. No. 05/05478/06

Issued share capital: 6 240 000 shares of 10 cents each

	Quarter ended 30 Sept 1988	Quarter ended 30 June 1988	Financial year ended 30 June 1988
Financial results	R000	R000	R000
Antimony revenue—net	6 298	5 462	21 831
Gold revenue	7 655	6 554	20 382
Sundry mining income	47	22	139
	14 000	12 038	42 352
Cost of sales	11 203	10 464	38 833
Working profit	2 797	1 574	3 519
Net non-mining income	840	890	3 655
	3 637	2 464	7 174
Prospecting expenditure	509	391	1 418
Profit before taxation	3 128	2 073	5 756
Taxation	170	410	1 236
Profit after taxation	2 958	1 663	4 520
Capital expenditure	1 184	3 205	9 635
Dividend	—	—	1 872
	1 184	3 205	11 507

Financial
The lower average gold price of R31 373 per kilogram received for the quarter, compared to the average of R33 269 received in the previous quarter, was off-set by improved gold sales of 244 kg compared to 197 kg. The combined effect of a marginal increase in antimony sales volume over the previous quarter and the weaker rand, resulted in higher antimony revenue.
Non-mining income includes an accrual of R859 000 following the Company's claim for the year ended June 1987 in respect of the export incentive scheme of the Department of Trade and Industry.
Taxation reflects the Company's liability for tax based on the quarter's results. Payment of "Minimum Tax on Companies" of R435 000 was made on 30 September 1988.

Prospecting
Surface exploration is now focussed on areas of interest which have previously been identified and being close to established infrastructure may have potential for exploitation in the short term.
Underground drilling established a small increase in payable ore reserves.

Capital expenditure
Outstanding commitments at 30 September 1988 are estimated at R335 000 (30 June 1988: R1 731 000).

For and on behalf of the board
M. W. Hawarden
R. A.D. Wilson *Directors*

Directors: M. W. Hawarden (Chairman), R. A. D. Wilson (Deputy Chairman), W. D. Clough, V. G. Bray, P. J. Cronshaw, D. J. Crowe, B. E. Hersov D.M.S., Clive S. Menell, P. F. Retief
Alternate director: P. W. J. Coenen

19 October 1988

Cash call of £44m to finance deal and end debt

Fitch acquires Distillers' distributor from Guinness

By Nikki Tait

FITCH LOVELL, food manufacturer and distribution group, yesterday announced that it was buying the UYC distribution business from brewing group Guinness. The total consideration – including debt assumed by Fitch – will be around £22m.

To finance the deal and eliminate existing borrowings, Fitch also plans a one-for-four rights issue at 225p a share to raise £43.9m after expenses. Yesterday Fitch shares eased 12p to 260p.

UYC became part of Guinness following the Distillers takeover. It supplies and distributes food products – basically dry groceries – to catering and bakery customers in the UK. It has a chain of over 20 principal depots, and in 1987 turnover was £65m.

According to Fitch, UYC has undergone some reorganisation making earlier figures not entirely comparable. However, in the recent eight months to end-August, management accounts suggest an operating profit (before head office costs, indirect expenses, pension contributions and interest) of over £1m. Sales in this period were £48m.

Fitch already takes in a dry groceries distribution business which, it reckons, previously ranked amongst the top three in the UK – the others being UYC and Booker. It also takes in frozen foods distribution.

The UYC purchase will extend operations further into Scotland and the south west. However, Fitch estimates that around half the UYC depots have some overlap with its existing operations and says there will be scope for some rationalisation. Slightly more than half Fitch's business will now come from distribution, although the company says it plans to keep a 50:50 split between manufacturing and distribution in the long-term.

Fitch expects to pay around £5m for UYC itself, and to assume debts of about £17m. The rights issue has been underwritten by Hill Samuel. At the last April year-end, Fitch's gearing had risen to about 40 per cent.

Yesterday Fitch warned that the company was still experiencing problems on the cooked meat side, which would "hold back progress in the first half". However, it added that there had been encouraging progress in other areas, such as the fish operations. It said it was too early to predict an outcome for the year as a whole.

Strong & Fisher puts bid case

By Nikki Tait

STRONG & FISHER, which is waging a hostile bid for rival leather group Pittard Garnar, yesterday claimed that the proposed acquisition would "result in a group better able to compete in the international tanning industry and ..reverse the shrinkage in the UK leather industry."

In its offer document, posted yesterday, Strong argues that a reference to the Monopolies and Mergers Commission is not warranted, because the leather industry should be assessed in an international context.

With regard to the four elements of the industry where monopoly queries have been raised, it repeats its assertions that: the enlarged group would account for less than one-third of skin purchases from abattoirs; would account for only six out of 18 fellmongeries in the UK, with the others having access to independent skin supply sources; suggests that UK tanners are mainly competing with non-UK tanners anyway; and argues that the enlarged group would supply less than 20 per cent of the UK clothing leather industry, with much finished leather sourcing done from overseas.

To fund its offer, Strong has arranged a £35m loan facility with Hambros, The Bank of Nova Scotia, Barclays Bank and Caisse Nationale de Credit Agricole. The loan is repayable in two tranches, in December 1989 and in December 1990.

The document suggests a pro forma gearing figure of 157 per cent, while the loan agreement requires that gearing should not exceed 300 per cent before July 1989, 230 per cent between then and January 1990, 150 per cent between then and July 1990 and 100 per cent after that.

Last night, Pittard said it saw no industrial logic in the merger. The offer had been pitched at a "derisory" level and the bid, if successful, would create a financially weakened group.

McAlpine sells brick arm to Marley

By Clare Pearson

ALFRED McALPINE, the construction company, has sold its Scottish brick manufacturing operation to Marley, building materials group, for £3.6m.

Marley said the acquisition provided it with its first brick manufacturing base in Scotland, to add to its existing tile operations. McAlpine said the sale was part of its policy of shedding all interests in building materials – apart from concrete blocks – since it sees these as peripheral to its main activities.

Shares in McAlpine fell sharply earlier this month after the company warned that pre-tax profits for the year to end-October would be "significantly" lower than the £31.4m achieved last time.

Provident Mutual backs Mecca's bid

By Philip Coggan

PROVIDENT MUTUAL, the single largest shareholder in Pleasurama, leisure group, has accepted the offer from Mecca Leisure, the bingo, holiday camps and nightclubs group.

The addition of Provident's 5 per cent holding is a significant boost for Mecca. Over the weekend it announced that it owned, or had acceptances totalling 18.4 per cent of Pleasurama's equity. It is believed the total had increased to about 30 per cent last night.

Mecca's £748m offer closes today, but can be extended until Saturday.

Mr Nat Solomon, Pleasurama's chairman, said: "I recognize that they (Provident) considered the issues very carefully, but it is a disappointment." He added that "we think the balance is still in our favour."

Speaking about his decision to accept the Mecca offer, Mr Gerry Upsdell, UK equities manager of Provident Mutual, said he "had a lot of opportunities to meet both companies. We listened carefully to the arguments on both sides."

Mr Upsdell added: "It was not an easy decision." However, Provident felt that "Mecca had done its homework and the combined group does make for a very logical fit."

The Mecca offer is seven new ordinary shares, 10 new convertible preference shares and £2.15 in cash for every 10 ordinary shares in Pleasurama. That values each Pleasurama share at 251p, compared with yesterday's price of 254p, up 5p. Mecca's price closed down 5p at 179p.

See Lex

Ralston Inv. Trust joining main market

By Philip Coggan

Ralston Investment Trust, newly-created company in which Caledonia Investments holds a 75 per cent stake, is joining the main market via a placing valuing the trust at a little less than £15m.

Caledonia is the investment company of the Cayzer family which until recently held the majority of its assets in the form of a stake in British & Commonwealth Holdings, financial services group.

Ralston will be one of two vehicles for Caledonia's portfolio holdings, the other being English & Scottish Investors, an investment trust in which Caledonia has a 25.4 per cent stake. In addition, Caledonia has a number of investments in other quoted companies such as Close Brothers, merchant bank.

The Ralston trust, which will aim for both income and capital growth, will concentrate on investment in smaller UK companies, with a particular emphasis, in the longer term, on unquoted investments. It will be managed by Grahams Rintoul, management group, in which Caledonia has a 25 per cent stake.

The initial portfolio, which has been transferred from Cayzer, includes substantial holdings in British & Commonwealth Holdings, Scottish National Trust, Prudential, Royal Insurance and Guinness.

County Nat West Wood Mackenzie is placing 6m shares at 62p each. The pro forma net asset value per share is 79.9p, putting the shares at a discount of 22.4 per cent. The notional gross yield is 3.23 per cent.

Kelt lifts stake in Carless to 5.3%

Kelt Energy, an oil independent which is making a hostile bid for the larger Carless oil group, yesterday announced that it had acquired a further 500,000 shares in its target.

The shares, bought at 113p each, take Kelt's stake to 9.44m shares, or approximately 5.26 per cent.

An emphasis on net asset growth

Paul Cheeseright analyses the new path being taken by Mountleigh

AT HALF past three yesterday morning in a suite of the Hilton International, Rotterdam, Mr John Duggan struck the deal which signals that Mountleigh, the aggressive property group built up by Mr Tony Clegg, has embarked on a newer, quieter course.

For four weeks, Mr Duggan, ensconced as Mountleigh chief executive last week, had been having general property talks with Organizacion Diego Cisneros of Caracas. Only this week did the prospects of ODC buying a portfolio of central London properties crystallise into detailed and rapid negotiations.

But the deal, which brings Mountleigh £317.5m for Paternoster Square and four other properties, is a far cry from the fizzy transactions with which Mr Clegg used to thrill the market last year.

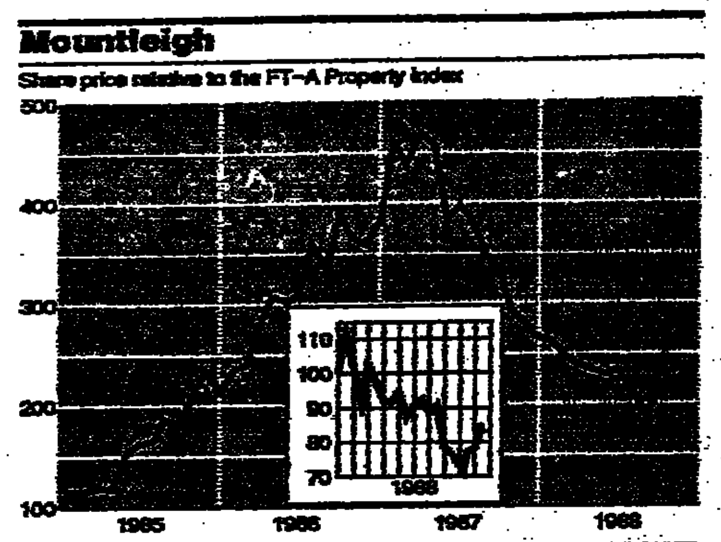
Mountleigh will make very little profit on the deal after the tax charge has eaten into the margin between the portfolio's book value of £286m and the purchase price.

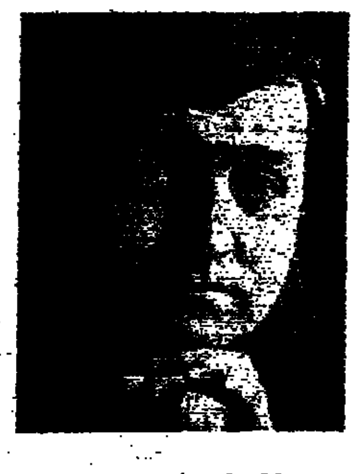
Yet the sale immediately does three things for Mountleigh.

●First, at a personal level, it stamps the personality of Mr Duggan on the group. Mr Clegg may remain the chairman but he had nothing to do with this latest transaction and not much to do with the sale in July of Stockley Park, the business park, for £160m.

This is significant in market terms. The market had grown suspicious of Mr Clegg's ability to sustain fast earnings growth through property trading. The shares since the equity crash a year ago have performed poorly. A wide gap has opened up between the market price and the net asset value of the company, estimated at around 250p by Phillips and Drew, the company's broker. That gap needs to close in order to lessen Mountleigh's vulnerability to a takeover bid.

●Second, the sale of Stockley Park and the deal with ODC bring in nearly £500m and reduce Mountleigh's gearing.





John Duggan – embarking on a new course

As part of the arrangement with ODC, loan notes worth £80.88m will be retired by ODC. These loan notes were issued last year when Mountleigh bought from ODC the Galerias Preciados department store chain in Spain.

In its last balance sheet, Mountleigh's gross borrowings were put at £526.7m. Mr Duggan said that although the debt was not critical he had "a very prudent approach to life. You get a bit lean when there are high interest rates." Taking into account both on and off balance sheet debt, he put Mountleigh's gearing at 40 to 45 per cent. If only the on balance sheet borrowing is considered then gearing is about 25 per cent.

●Third, the ODC deal marks a significant rationalisation of Mountleigh's property portfolio. For Mr Duggan, Paternoster Square, over which Mountleigh had assumed full control last May, represented too large a chunk of the portfolio's total value. It was producing little income and its trading value would remain conjectural until planning permission had been granted for redevelopment.

Although Mr Duggan does not rule out further property sales, he added that "we have made a hell of a start to rationalisation." This rationalisation is crucial in putting the group on to a new path.

Mountleigh won its market popularity in 1986-87 through its ability to spot the profit potential in breaking up property portfolios. This was Mr Clegg's forte. But to keep the market happy he had to go faster and faster. Even when pre-tax profits were more than doubled to £70.7m in the year to April 1988, the market was not satisfied.

Mr Duggan is now staking out a claim for a different Mountleigh. "I want to get us off this profits treadmill," he said.

At this stage, he stated, he does not have a precise business strategy. But the general direction is clear. "The emphasis goes on to net asset value growth as a fundamental tenet." This will be mixed with developments, although, Mr Duggan added, "we will treat development very cautiously."

By that he means that Mountleigh will not enter into developments unless it can get out of them at a profit should the market turn down. And he made clear that the funds Mountleigh is realising from its recent sales will not automatically go into development projects.

All of this chimes with the market mood of the moment. This year sentiment has been in favour of asset growth and the property merchant developers have been downgraded, generally underperforming the investment companies.

Mr Duggan sets off on his new course with properties worth, on Phillips and Drew calculations, about £600m after recent movements in and out of the portfolio.

He has development prospects at Camberley town centre, the Criterion Theatre in London's West End, at Pudsey, Dagenham and elsewhere that he says will be seen through. Mountleigh though has yet to establish its track record, in market eyes, as a developer.

But Mr Duggan could be short of time. The sale of Paternoster Square could have made the group more susceptible than less to a takeover in the immediate future.

Paternoster Square is one of the most difficult redevelopment projects to manage both politically and environmentally. Now that it is out of the way and the gearing has dropped Mountleigh could look a juicier target than it was before.

Molynx in £3.7m purchase

By Clare Pearson

THE REVITALISED management team at Molynx, security and closed circuit television equipment manufacturer, yesterday announced its second acquisition this year. The company is paying a maximum of £3.73m for Lloret, an environmental control company.

The initial consideration of £1.6m is being financed by an issue of 1.83m new ordinary shares. Of these, 52 per cent are being placed, with clawback provisions for existing shareholders, on a one-for-four basis at 88p per share.

The purchase of Lloret, which marks Molynx's first venture into environmental controls, follows the £2.4m cash and share acquisition of Videmech, a CCTV concern, in August. This came after the appointment of Mr Nick Mavrikakis as chief executive in February.

Lloret lifted pre-tax profits to £204,000, on turnover of £1m, in the four months to end-August. In the year to end-April pre-tax profits were £252,000 and turnover £2.5m.

Molynx itself is forecasting pre-tax profits of not less than £800,000 (£509,000) for the year to end-December.

Cramphorn advances 27% to £870,000

Cramphorn, USM-quoted garden centres operator and distributor of garden and pet products, increased pre-tax profits by 27 per cent in the year to July 2, due mainly to improved margins and greater efficiency. The result of £870,092, up from £683,540, was scored on sales of £16.44m, against £15.97m.

An increased final dividend of 4p is recommended, for a total of 5.5p (3.5p adjusted), on earnings per 50p share of 20.16p (15.03p).

Pearson redemption

Pearson plans to redeem early – on October 25 – the following unsecured loan stocks plus interest accrued from July 1: the 4 per cent 2001-05 at £80.50 per cent; the 10 per cent 2001-05 at £106 per cent; and the 10 per cent 1993-98 at £103.50 per cent.

Yearlings up $\frac{3}{16}$

The interest rate for this week's issue of local authority bonds is 11⅝ per cent, up $\frac{3}{16}$ of a percentage point from last week, and compares with 10⅝ per cent a year ago. The bonds are issued at par and are redeemable on October 25 1989. A full list of issues will be published in tomorrow's edition.

Royal Ins buys rest of Lincolnshire estate agent

By Nick Bunker

ROYAL INSURANCE, composite insurer, plans to issue up to 11m new shares to pay for an agreed bid for the outstanding 57.8 per cent of William H. Brown, Lincolnshire-based chain of 250 estate agencies.

The move takes the number of estate agency outlets in which Royal has a controlling interest to 772.

At last night's closing share price of 394p, the bid is worth £43.35m. Royal said Brown shareholders could elect to take the consideration in cash.

Brown expects to sell about 50,000 houses in 1988.

In common with other leading insurers, Royal has been buying estate agencies for the last two years, largely as a means of securing new distribution channels for its life assurance and financial services products.

Seafield rises to I£0.5m

SEAFIELD, Irish textiles and PVC-coated fabrics producer, has reported pre-tax profits of I£502,000 (£423,000) in the six months to June 30, against £329,900 in the comparable six months. During the latest period the company undertook a capital reorganisation.

These latest results include the performance of J T Hunt (Storage) and J T Hunt (Worksop) on a merger accounting basis and the comparisons are therefore adjusted.

Turnover in the period fell to £4.47m (£4.87m) and profit before interest and tax was £555,000 (£416,000). After tax of £150,000 (£123,000) earnings per 25p share came through at 3.71p (2.41p).

Chesterfield up to £5.4m

CHESTERFIELD Properties increased its pre-tax profit from £3.02m to £5.43m in the first half of 1988, and is lifting the interim dividend from 5.5p to 6p.

Results reflected the impact for the whole period of the convertible preference share issue made in August 1987, and accounted for reduced interest charges.

The comparable period was also marked by unusually disappointing results from the entertainment activities which had returned to normal profitability.

Letting at the development at Crystal Peaks, Sheffield and Quasar Centre, Walsall, continued satisfactorily.

Turnover in the period came to £9.42m (£8m). Earnings were 16.36p (11.52p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brit Amer Film ......int	2.375	Nov 15	2.125	-	6.625
Chest'field Prop ......int	6	-	5.5	-	14.5
Cramphorn § ......fin	4	-	2.25*	5.5	3.5*
Delyn Pkg ......int	0.45	Nov 25	0.375	-	1.125
Derwent Valley ......int	1.5	-	0.75	-	5.068
Farnell Elect ......int	1.8	—	1.5	—	3.5
Highland Elect ......fin	2	-	1.5	3	2.5
Jackson Group ......int	1.3	-	1	-	3
Manganese Bronze...fin	3.75	-	3	6	4.5
Miss World § ......int	2	Nov 28	2	—	8
Pat'son Zochonis ....fin	5.95	Dec 6	5.35	7.8	7.1
Prestwick Hlds ......fin	1	Dec 19	nil	1	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Billingsgate City Secs., Boot (H.), Carlton Inds., City of Oxford Inv., Gresham House, Hawker Siddeley, House of Lerose, Hunting Assoc. Inds., Viking Resources Trust.

Finals- CDFC Trust, Clydesdale Inv. Trust, Klark-Teknik, TR Australia Inv. Trust.

FUTURE DATES

Interims-

Bank of Ireland	Nov. 10
Beradin Hldgs.	Oct. 21
Boosey & Hawkes	Oct. 25
Cohen (A.)	Oct. 25
Feedex Agricultural Inds.	Oct. 25
Geers Gross	Oct. 28
Latham (J.)	Dec. 7
Lep Group	Oct. 20
Riv. & Merc. Grd.Inc.Tst	Oct. 28
Sothebys Hldgs.	Nov. 16
Vivat Hldgs.	Oct. 25
W A Hldgs.	Oct. 25
Woolfame Betterware	Oct. 25

Finals-

Fisher (A.)	Oct. 20
Gleeson (MJ) Group	Nov. 10
Govett Oriental Trust	Oct. 27
Leisure Inv.	Oct. 20
Nat. Home Loans	Oct. 27

Derwent Valley doubled to £1.69m midway

Derwent Valley Holdings, property investor, more than doubled gross rental income and profits in the six months to June 30. Pre-tax profits rose from £818,008 to £1.69m on rental income up from £637,000 to £1.4m.

During the six months, property trading generated gross profits of £949,000 (£790,000). Tax was £613,000 (£296,000). An extraordinary credit of £436,000 (£55,000) represented the surplus on the disposal of investment properties. Earnings per 5p share were 13.85p (16.17p) on sharply increased capital of 7.76m shares.

The interim dividend is doubled to 1.5p to reduce the disparity between payments.

Delyn Packaging

Principally through improved operating margins, gained by increased production efficiency, Delyn Packaging lifted pre-tax profit from £155,000 to £389,000 in the half year ended July 31 1988.

With earnings at 3.18p (1.96p) the interim dividend is raised to 0.45p (0.375p).

Chepstow downturn

First half 1988 profit at Chepstow Racecourse declined from £21,294 to £19,777, on turnover ahead to £471,334 (£436,604).

Three race days were lost through adverse weather (one day last time) and so again 11 race days were held. Earnings came to 3p (3.1p).

Carbo acquisitions

Carbo, maker of Carborundum abrasive products and specialist resins, has bought John Prior Plastics and Colwyn Plastics for a total of £1.65m cash, to be funded from existing cash resources and bank facilities.

Both are specialist injection moulding companies based in Colwyn Bay, Clwyd, with common shareholders and the same management. In 1987 pre-tax profits of John Prior were £72,875 and of Colwyn £70,402. Net assets were £309,607 and £233,197 respectively.

E Upton in profit

E Upton and Sons intends to pay a dividend of not less 2p for the year to January 1989. The last payment was in 1980.

In the year 1987-88 the group made £543,000 after years of losses, following the acquisition of property developer Southern & City. The trend continued into the first half of the current year with pre-tax profits of £336,000 (£55,000).

Depressed W Africa hits Zochonis

By Clare Pearson

FULL-YEAR pre-tax profits of Paterson Zochonis, toiletries and detergent company which makes Imperial Leather soap, fell by 27 per cent to £24.22m, mainly reflecting depressed economic conditions in West Africa.

Reduced purchasing power in Nigeria, the main market, as a result of government deflationary policies hit the company in two ways: through the UK operation, which exports raw materials, as well as through the 40 per cent-owned local manufacturer. There was also a small negative effect from the fall of the Nigerian naira against sterling.

Operating profits, also hit by losses in Interparco, the Ivory Coast general trader, plummetted from £18.97m to £10.72m. The contribution from the Nigerian associate fell by £1m to £4m. Turnover was £190.39m (£207.93m).

Meanwhile during the year to end-May, the strength of sterling took its toll on a number of the export markets for Cussons branded toiletries. Kenyan manufacturing was hit by a 20 per cent fall in the exchange rate.

But, with debt denominated in soft currencies, and investments mainly in sterling and hard currency government bonds, cash and investments rose to £140m (£135m) while short-term debt fell to £41m (£50m). Net interest received rose to £9.48m (£9.29m).

Mr Alan Whittaker, finance director, said although the company did not rule out making an acquisition to add to its toiletries operation, it considered prices in the sector were too high at the moment.

The company therefore expected expansion to come from developing local manufacturing operations in countries where sales outlets had already been established. A soap factory in Indonesia had been set up earlier in the year but was not expected to make a contribution for the time being.

Tax took £9.35m (£12.18m). Earnings per 10p share came out at 29.39p (42.74p). But the final dividend is increased to 5.95p (5.35p), making 7.8p (7.1p) for the year.

• COMMENT

Since the market never attributed any value to speak of to the Nigerian operations, but paid a lot of heed to the cash pile, Paterson Zochonis's shares have slightly outperformed the index over the last 18 months while pre-tax profits have almost halved. Defensive features continue to underpin the shares, which stand on a prospective p/e of just over 9. Now might look like a perfect moment to break the company up, were it not for the fact that a handful of the Zochonis family own 55 per cent of the shares. Otherwise the company, which has not made a significant acquisition in a good ten years and is profoundly committed to its 100 year-old involvement in Nigeria (whatever the oil price) makes a pretty uninteresting investment. There were no surprises in these figures and analysts, factoring in some improvement in Interparco, slightly higher interest income, and a bit more from Cussons, yesterday left 1989 pre-tax profit estimates unchanged at about £27.5m.

Parkfield preference issue to raise £29m

By Fiona Thompson

PARKFIELD GROUP, manufacturing and specialist distribution group, is to issue 30m cumulative redeemable preference shares of £1 each to raise approximately £29.25m. The placing has been underwritten by Prudential-Bache and CL-Alexanders Laing & Cruickshank.

Parkfield has grown rapidly, organically and through acquisitions, since 1983 when it was a loss-making foundry. It is now a major producer of aluminium cast wheels for the automotive market and steel wheels for commercial and off-road vehicles. It is also one of the UK's largest groups of iron foundries and a major supplier of chassis pressings. In addition it distributes video films for retail sale.

The company spent £40m cash in the year to April 30 on capital investment, acquisitions of new businesses and working capital. Further acquisitions since the year end totalling £21m have been settled by cash and short-term finance bills and the company says capital expenditure requirements for the current year will exceed £18m.

The placing was to enable the group to seek further acquisitions and develop its existing operations, Mr Roger Felber, the chairman, said.

Renison chief pulling out stops to block bid for Gold Fields

By Kenneth Gooding, Mining Correspondent

MR MAX ROBERTS, chairman of Renison Goldfields Consolidated of Australia, said yesterday his company would do everything possible to prevent the success of Minorco's £2.9bn bid for Consolidated Gold Fields.

Gold Fields owns 48 per cent of Renison. Mr Roberts was in London to present personally to the UK Office of Fair Trading his company's case about the likely damage to its operations, should ownership of that substantial stake fall under South African control via Minorco, which in turn is 60 per cent owned by Anglo American Corporation and De Beers.

Mr Roberts has also asked to talk to Lord Young, the UK Secretary of Industry. He said: "I want to be seen to be doing everything in my power to protect Renison's shareholders – all of them. Unfortunately, most of my recourse is in the UK."

However, yesterday Renison also started court proceedings in Sydney to protect its shareholders should Minorco's bid succeed. The move, in the New South Wales Supreme Court, is based on the premise that a successful bid would entail breaches of the Companies (Acquisition of Shares) Code in Australia, apparently by transferring control of the company without a direct takeover bid.

Mr Roberts denied that the action was an attempt to force Minorco to dispose of the Renison shares should it win control of Gold Fields. "That would damage Renison too. My objective is to stop the bid."

At his meeting with OFT officials, Mr Roberts almost certainly stressed that Renison is one of the world's major suppliers of mineral sands, including two materials of strategic importance – titanium dioxide and zircon. If Minorco won the bid, South African interests would dominate the world market for mineral sands, he would have claimed.

Mr Roberts is certain to have pointed out that the Prime Minister of Papua New Guinea had said if Minorco became a major shareholder in Renison, the Australian group would be forced to give up its gold operations in his country.

There was a danger that other countries with anti-apartheid policies in which Renison had exploration projects (including Indonesia and the Philippines) would follow PNG's example.

Mr Roberts described as "bullshit" Minorco's assertion that operating companies in Gold Fields' portfolio were held back by head office bureaucracy. He said Gold Fields had put its Australian interests into Renison in 1981 and "Australianised" the new company, meaning it was neither controlled nor managed outside the country. Renison was then worth A$100m but today was worth about A$1.4bn. Gold Fields' international contacts and experience had been "invaluable" to the Australian company as it developed.

In a reference to Minorco's base outside the UK, he declared: "How the hell can 25 blokes in Luxembourg do that for us?"

Manganese Bronze advances by 52%

By Vanessa Houlder

BUOYANT DEMAND for the traditional curvaceous London taxi helped Manganese Bronze Holdings, the taxicab and metal products manufacturer, to boost pre-tax profits by 52 per cent to £5.22m (£3.43m) for the year to July 31. Turnover increased 17 per cent to £58.66m (£50.14m).

The results were above analysts' expectations and the shares rose 3p to 268p.

This was the second year in which Manganese Bronze faced competition in the form of Metro-Cammell Weymann's Metrocab, after having a monopoly for 17 years. Manganese launched a revised version of its standard taxi the FX4S Plus model last Autumn.

Mr Jamie Borwick, managing director, said the new model had been extremely well received and the order book was full to the end of the year. Demand was expected to remain high, particularly when changes allowing all vehicles to carry wheelchairs were introduced next spring, he said.

The vehicles division boosted operating profits by 83 per cent to £2.6m, after manufacturing 2,345 taxis, up from 2,062 the year before. Provincial sales rose from 500 to 825, while London sales held steady.

Powder metals division reaped the benefit of management changes and made profits of £1.52m (£777,000). The foundries saw a drop in profits from £1.24m to £1.1m, as the upheavals in the bus and minibus industries hit the powered doors business. Mr Borwick predicted a full recovery and said there was a substantial order book for bus and railway doors.

The foundry side has been expanded with the acquisition, announced yesterday, of Ken Stewart Engineering, a machining business, for £250,000 together with the repayment of debts due of £109,000.

Earnings per share increased by 66 per cent to 21.84p (13.12p). With a final dividend of 3.75p, the total is raised to 6p (4.5p) - an increase of 33 per cent.

• COMMENT

The recent history of Manganese Bronze would make a textbook example for the "competition is good for you" school of thought. When Metro-Cammell launched the rival Metrocab, it spurred Manganese into making some much-needed improvements to its cabs, such as making better provisions for the disabled. That - and the breaking of the monopoly - has prompted some regional authorities to stipulate that local taxi drivers swap their old Cortinas for a London-style cab. Accordingly, the market is expanding by some 5 per cent a year, which should leave scope for solid future growth - unless Metro Cammell decides to go for aggressive growth in market share. That risk apart, Manganese's prospects are bright - particularly as the two other divisions reap rewards from greater efficiency and a new emphasis on higher margin, finishing processes. Analysts are predicting profits of £6.1m for the coming year, which, given a return to a 35 per cent tax charge, puts the shares on a rating of 11. A touch expensive on trading grounds, that reflects some bid speculation stemming from the 20.4 per cent stake owned by CH Industrials. But given the strength of its performance and the large family shareholding, the likelihood of a successful bid seems relatively slim.

TR trust reconstruction details

By Nikki Tait

TR NORTH AMERICA, the £70m investment trust managed by Touche Remnant, has finally released details of its planned reconstruction. This involves liquidating the existing specialist investment trust, and transferring its assets to a new offshore investment company.

The new company will be based in Luxembourg and have a variety of share classes representing different sub-funds. In total, there will be seven share classes - North America, Europe, Far East, Japan, UK Blue Chip, UK Special Opportunities and Multi-currency bond.

Shareholders will be able to switch between these classes without crystallising any capital gains tax liability.

Shares of the new company should trade at or near to the underlying net asset value of the funds (rather like a unit trust) and hence the traditional investment trust discount should be eliminated.

Advisers reckon that shareholders should be able to realise their investments for cash equivalent to at least 98 per cent of TR North America's underlying assets on liquidation. Net asset value is currently estimated at about 109.6p a share.

Reconstruction plans were first announced by TR North America back in April, following some discreet institutional pressure. However, details of the scheme have taken longer than expected to finalise due to administrative delays in Luxembourg.

TR North America is the fifth trust managed by Touche Remnant to undergo changes in the past year. TR Pacific Basin, TR Technology, TR Natural Resources have all seen reorganisation of one kind or other, and, most recently, TR Industrial and General has succumbed to a bid from the British Coal Pension Funds.

Boat building interest buoys Centreway Tst

By Richard Tomkins, Midlands Correspondent

Strong consumer demand for yachts buoyed the first-half performance of Birmingham-based Centreway Trust and its separately-quoted subsidiary, Centreway Industries.

The parent company manages business expansion schemes, but most of its £355,000 (£303,000) pre-tax profit in the half-year to June came from its 51 per cent interest in Centreway Industries' boat building and shoe-making operations.

Centreway Industries increased pre-tax profits to £352,000 (£298,000) on turnover of £8.99m (£8.38m). The interim dividend is unchanged at 0.5p.

Mr Tony Cross, chairman of both parent and subsidiary, said a good half-year at Westerly Yachts had outweighed the effect of reduced margins in the shoemaking division.

Jackson Group up 51%

JACKSON GROUP, a civil and mechanical engineer which obtained a full listing in June, lifted pre-tax profits 51 per cent to £790,000 in the six months to June 30. Turnover was £20.16m compared with £18.1m.

The interim dividend is stepped up to 1.3p (1p) from earnings of 4.7p (3.2p).

The chairman said all divisions had traded successfully and indications were that results for the full year would be a substantial advance on the £1.67m achieved in 1987.

Jeyes valued at £15m in USM placing

By Fiona Thompson

JEYES GROUP, manufacturer and supplier of household cleaning and hygiene products, is joining the Unlisted Securities Market via a placing which values the company at £15.1m.

Phillips & Drew is placing 3.57m shares at 149p, representing 33.2 per cent of the enlarged capital, to raise £4.08m, after expenses, for the company.

The origins of Jeyes date back to 1877 when John Jeyes developed Jeyes disinfectant fluid. The business was acquired by Cadbury Schweppes in 1972, but following losses in 1984 and 1985 due to increased competition, a rationalisation and reorganisation programme was implemented and in 1986 the business was sold to its management.

Jeyes sells its products under its own brand names and customers' own-brand labels. It has a strong customer base in the UK and supplies all the major retailers in the grocery trade – its top five customers accounted for about half of UK sales in 1987 – and the leading chemists and drug stores. Jeyes' products are sold in more than 25 countries.

The company operates in six product sectors. Bleach, the largest, accounted for one third of sales in 1987. Its leading branded product is Parozone. Disinfectant is the second largest product sector, with about one quarter of 1987 sales and brand names such as Ibcol, Zal and Jeyes Fluid.

The remaining product areas are antiseptic, flush treatments, that is toilet cleaners sold in block form, liquid toilet cleaners and toilet tissue packs.

Since the buy-out the group has returned to profitability and made three strategic acquisitions for a total of £1.6m. For the year to January 2 1988, Jeyes reported pre-tax profits of £1.2m on sales of £29.29m. A forecast of £1.57m pre-tax for the year to December 31 puts the company on a prospective p/e ratio, after an expected 17 per cent tax charge, of 8.8 times.

The bulk of the £4.08m raised via the placing will be used to reduce borrowings. The acquisition activity, combined with capital spending of about £1.5m to update plant and machinery, has resulted in gearing reaching 180 per cent. The aim of the flotation is to get this down to about 30 per cent.

Farnell profit improves to £11.9m in first half

FARNELL ELECTRONICS, Leeds-based electrical components distributor, announced interim taxable profits little changed at £11.93m, against £11.18m. Turnover in the six months to the end of July 1988 improved by £7.36m to £65.19m.

After tax of £4.18m (£3.91m) earnings per 5p share came to 5.9p (5.6p). An increased interim dividend of 1.8p (1.5p) has been declared.

Two companies, Advance Power Supplies and Wallis Hivolt, had been acquired in the period and directors said that integration was progressing, but there was no contribution from them in the results.

However start-up costs of £198,000 had been included as well as a similar amount for assisting overseas operations resulting in interest receivable being reduced by £250,000.

Directors said that with the European and US interests of the newly-acquired companies, Farnell was now better placed to achieve greater profits through increased market penetration and the integration of the skills of the new companies.

British and American Film rises to £0.37m

In the first half of 1988 British and American Film Holdings increased its pre-tax profit from £319,000 to £368,000, with earnings per 5p stock unit moving from 8.869p to 9.976p.

The interim dividend is raised to 2.375p (2.125p).

Investment portfolio showed a marked recovery and, although income from subsidiaries declined slightly, there was a satisfactory increase in profit.

At June 30, the effective net asset value, excluding film rights, was down to 569.2p (629.6p). By October 14 it had risen to 594.1p.

Prestwick Holdings beats forecast with £1.42m

PRESTWICK HOLDINGS, one of Europe's largest printed circuit board makers, outstripped its forecast with pre-tax profits of £1.42m for the year ended July 31 1988.

And the company is returning to dividends with a payment of 1p from earnings of 7p. Shareholders' last return was in June 1986.

When raising £2.85m net last June by the issue of 3m 7¼ per cent convertible redeemable preference shares, the directors were looking for a profit of not less than £1.3m, before any interest received in the final weeks of the year.

The dividend payment reflected confidence in further growth in the current year, said Dr David Simpson, the chairman.

The share issue, together with a strong cash flow throughout the year, resulted in net borrowings to shareholders' funds being reduced from 130 per cent to 28 per cent.

Turnover in 1987-88 moved up to £24.2m (£19.8m) and there was a trading profit of £1.97m (loss £444,000). The previous year's pre-tax loss was £174,000 after exceptional credits of £944,000.

Miss World improves to £0.18m midway

Miss World Group, enlarged via the acquisition of Red Rose Radio earlier this year, increased its profits for the first half of 1988 from £175,700 to £183,200 pre-tax. Turnover totalled £493,900 against £465,000.

Earnings per 10p share emerged at 5.7p (5.13p) and the interim dividend is a same-again 2p.

Mr Eric Morley, chairman, said that the outcome for the year should be satisfactory.

Miss World, the shares of which are traded on the USM, said it was planning to expand opportunities which existed in independent radio by acquisition and organic growth, including the possible splitting of frequencies within existing areas which could double the number of its radio stations.

Holdings in the non-voting capitals of Piccadilly Radio and Radio City (Sound of Merseyside) had been increased to 22 per cent and 5.5 per cent respectively. At October 14 the value of the investments was £4.59m compared with a cost of £2.22m.

Highland Electronics static at £0.74m

HIGHLAND ELECTRONICS Group returned profits of £740,771 pre-tax for the 12 months to end-April 1988, little changed on the previous year's depressed £745,418. Turnover slipped from £13.76m to £12.55m.

Earnings per 20p share emerged at 6.31p (6.75p) and a final dividend of 2p makes a total of 3p (2.5p).

An extraordinary provision of £917,016 (£74,027) arose from the disposal of the manufacturing stocks and other assets of the Walter Jones subsidiary together with the cost of ceasing manufacture at the Sydenham site. This is expected to be nearly offset by a similar profit in 1988-89 on the sale of the vacated site at Sydenham.

COMPANY NEWS IN BRIEF

ARMOUR TRUST is to buy Cyclone Car Associates, maker of jump leads and vehicle tow ropes, for £900,000. In the year to end-May 1988 the company had a turnover of £625,000 and pre-tax profits of £24,710.

ASHTEAD GROUP was well positioned geographically and commercially to raise its share of the £550m non-operated plant hire market above its present 4 per cent, the annual meeting was told.

BILLINGSGATE CITY Securities: acceptances had been received by Erlanger Commercial Corp in respect 12.57m Billinsgate preferred shares (48.7 per cent) when the offer closed last week. These included 7.71m (29.9 per cent) assented by Bishopsgate Investment Management. Erlanger has received acceptances for or owns 78.3 per cent of Billingsgate preferred shares.

D C COOK had seen healthy trading in all divisions since the year end, the annual meeting heard. Motor division had achieved record sales in August and September.

LYNX TECHNOLOGY has received acceptances in respect of 4.76m ordinary shares of its rights issue. The underwriters will subscribe for the balance of 2.59m.

MEMEC (Memory and Electronic Components) has acquired Pragma, a distributor of impact and non-impact printers, for £800,000 in cash. Pragma sales in 1987 were £6.1m and pre-tax profits £247,000.

ROCKWARE GROUP has sold Burwell Reed & Kinghorn, a container mould making business, to its management for £2m together with some £0.5m of existing borrowings.

TARMAC has purchased a further 234,944 Ruberoid shares (0.47 per cent) at 270p and now owns 8.201m (16.25 per cent). Tarmac now either owns, or has received irrevocable undertakings in respect of 21.63 per cent of Ruberoid's share capital.

Wickes sells insulation supplier

By Vanessa Houlder

Wickes, DIY retailer, has sold one of the non-core businesses acquired when it bought Hunter, the timber merchanting group, last month. Wickes is selling Keith Young (Insulation Supplies) to Pilkington, the glass company, for about £4.5m cash.

Keith Young supplies the building and construction markets with insulation and related materials, including the full range of Pilkington insulation products.

Wickes has also acquired G R Wiltshire, a Buckinghamshire hardwood merchant, for £2.2m. The business will be consolidated with G Hopton, a Hunter Group hardwood merchant, which will then free Hopton's Uxbridge premises for redevelopment.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

London & Manchester (Tst Mgmt) Ltd (1000)H
Winslade Park, Exeter EX5 1DS 0392 282675

American	5	29.64	30.16	32.02	+0.29	0.8
General	5	49.41	49.63	52.69	-0.02	3.5
Income	5	44.70	45.08	47.86	+0.01	5.8
International	5	35.28	35.38	37.56	+0.24	0.9
Japan	5	48.56	48.78	51.78	-0.21	-
Tst of Inv Trusts	5	35.81	36.36	38.60	+0.08	1.9

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

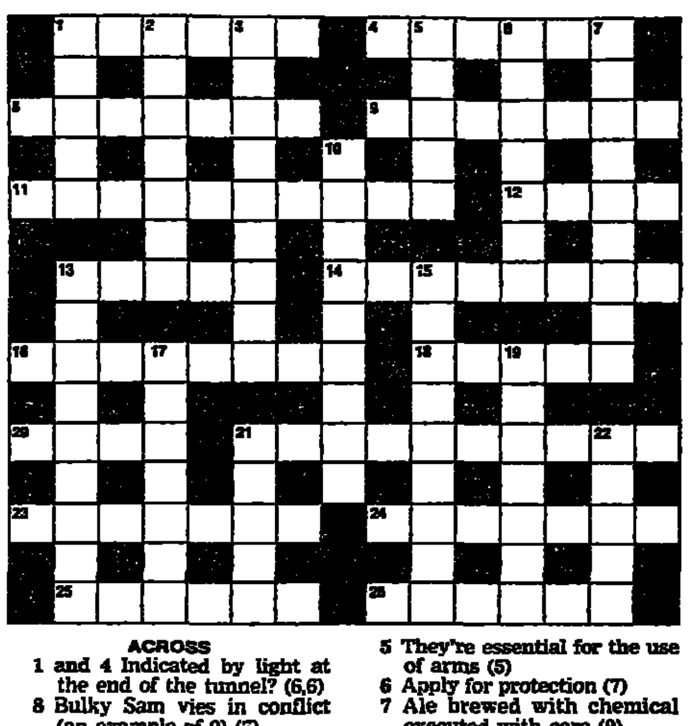
FT 30	FTSE 100	WALL STREET
Oct 1509/1518 -1	Oct. 1857/1867 N/C	Oct. 2033/2045 -2
Dec 1516/1525 +3	Dec 1866/1876 -2	Dec. 2040/2052 -1

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No. 6,763 Set by QUARK



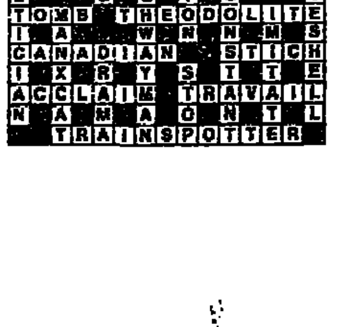
ACROSS

1 and 4 Indicated by light at the end of the tunnel? (6,6)
8 Bulky Sam vies in conflict (an example of 9) (7)
9 See 8 (7)
11 A match for competition's productive (10)
12 School in which fame is recalled (4)
13 Resort to pithy drolleries in part (5)
14 Late drink for a bird? (8)
16 Aid the disheartened men somehow but insanity results (8)
18 Gas – a lightweight one (5)
20 Slowly advance a little distance (4)
21 LSO charter could be associated with the players (10)
23 Conclusion of moss gatherer: "One uses a blade" (7)
24 Essay? A good effort? (7)
25 Bit of ligament out of joint in the old American (6)
26 Eerie castle right away in sight (6)

DOWN

1 The party's nothing more than a plant (5)
2 Dull flat (7)
3 A place for craft ended in prize being endlessly lifted (9)
5 They're essential for the use of arms (5)
6 Apply for protection (7)
7 Ale brewed with chemical executed with care (9)
10 A lot having a certain hair style for the ball (9)
13 The public fuss following a crime (3,3,3)
15 Exaggerated movement in March, so pet goes wild (5,4)
17 Doctor, no leech, with stepped arrangement (7)
19 Is in action, bowling with the turn (2,3,2)
21 Animal to watch a plant (5)
22 Send in for exercise (5)

Solution to Puzzle No.6,762



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq: 01-606 4044 Dealing: 01-606 6010						
Master Portfolio	5¼	28.46	28.46	30.44	+0.17	0.00
Amer Growth Acc	5¼	33.96	33.96	36.32	+0.17	1.95
Amer Income Acc	5¼	30.32	30.32	32.43	+0.07	4.88
Amer Income Inc	5¼	27.78	27.78	29.71	+0.06	4.88
Cap Protector Acc	5¼	24.39	24.71xd	26.43	+0.09	5.42
Cap Protector Inc	5¼	23.92	24.24xd	25.92	+0.09	5.42
Euro Growth Acc	5¼	44.38	44.72	47.82	+1.42	0.00
Euro Income Acc	5¼	22.75	22.75	24.33	+0.17	3.86
Euro Income Inc	5¼	21.83	21.83	23.35	+0.17	3.86
Far East Gwth Acc	5¼	58.15	58.15	62.19	-0.02	0.00
Intl Growth Acc	5¼	39.70	39.70	42.46	+0.36	2.60
Japan Growth Acc	5¼	89.20	89.82	96.06	-0.89	0.00
UK Growth Acc	5¼	45.70	45.70	48.88	+0.24	2.98
UK Income Acc	5¼	51.26	52.22	55.85	+0.20	4.68
UK Income Inc	5¼	46.46	46.29	49.51	+0.18	4.68
Mngd Growth Acc	5¼	51.66	51.66	55.25	+0.19	2.13
Mngd High Yield Inc	5¼	66.50	67.50	72.19	+0.22	5.45
Mngd Income Inc	5¼	58.04	58.71	62.79	+0.11	4.53
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	336.3	341.2	361.1	+0.3	0.00
Equity Acc	5	431.6	438.0	463.5	+0.4	0.00
Fixed Int Dist	5	118.8	120.4	124.8	+0.1	9.00
Fixed Int Acc	5	210.6	213.6	221.3	+0.2	9.00
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	99.72	99.72	105.99	+1.00	2.11
Do Accum	5	107.08	107.08	113.76	+1.08	2.11
TSB Brit Growth	5	55.05	55.05	58.56	-0.08	3.24
Do Accum	5	57.61	57.61	61.29	-0.08	3.24
TSB European	5	51.78	51.78	55.09	-0.11	1.12
Do Accum	5	53.18	53.18	56.57	-0.19	1.12
TSB Extra Income	5	107.22	148.39	157.60	-0.96	5.76
Do Accum	5	190.03	191.27	203.43	-1.04	5.76
TSB Smaller Cos	5	53.96	53.96	57.40	+0.28	1.19
Do Accum	5	54.92	54.92	58.43	+0.29	1.19
TSB General	5	179.33	179.33	190.78	+0.22	3.29
Do Accum	5	310.41	310.41	330.22	+0.32	3.29
TSB Gilt & Fxd Int	3¼	48.43	48.43	50.00	+0.18	8.80
Do Accum	3¼	73.12	73.12	75.63	+0.27	8.80
TSB Income	5	268.56	269.35	286.49	+0.25	4.88
Do Accum	5	448.90	450.19	478.87	+0.94	4.88

	Bid Price	Offer Price	+ or -	Yield Gross
Lazard Investors Ltd				
Exempt Funds				
Small Co's Oct 17	4055.7	4475.4	+6.9	1.5
European Oct 17	364.9	388.3	+1.4	0.9
American Oct 17	278.2	286.4	-9.2	2.5
Far Eastern Oct 17	334.5	356.4	+2.6	0.2
Australian Oct 17	140.5	149.0	+0.2	2.4
Ridings Sept 13	220.0	239.1	+0.0	0.8
Northumbria Sept 12	193.6	210.5	+0.0	1.3
North West Sept 12	233.2	251.8	+0.0	0.8
East Count Sept 15	88.1	94.9	+0.0	1.2
W Midlands Aug 31	198.6	218.2	+0.0	1.5
Ind Lsh Mkt Sept 20	132.4	138.1	+0.0	4.0
Property Oct 6	2930.0	3080.0	+0.0	5.2
Inc Exh Prp July 7	1360.0	1420.0	+0.0	7.0
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Property Sept 30	211.95		—	5.71
Equity Sept 30	704.80		—	3.90
Fxd Int Sec Sept 30	98.95		—	9.49
* Available only to Local Authorities				
MIM Ltd				
Mngd Pens (Acc)	55.5	59.1	—	0.00
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Oct 19	39.9	41.4	-1.1	2.24
Euro Expt Oct 19	41.7	43.7	-0.3	2.32
Fixed Int Ex Oct 19	49.7	52.0	—	9.44
Japan Expt Oct 19	52.8	55.0	+1.0	0.43
Managed Ex Oct 19	38.8	40.3xd	—	4.47
SE Asia Expt Oct 19	34.8	36.3xd	-0.6	1.95
Sm Cos Expt Oct 19	43.7	45.8	+0.3	2.58
UK Eqty Ex Oct 19	35.9	37.6xd	+0.6	5.10
New Court Property Fund Managers				
NC Property	191.5	209.3	—	—
Phillips & Drew Fnd Management Ltd				
PDFM Small Co Fd 2/R	771.0	817.8	—	3.75
Do Accum	795.0	844.0	—	3.75
PDFM Int Expt Oct 13	124.1	126.1xd	—	2.70
J. Rothschild Fund Managers Ltd				
Intl Exempt	95.66	99.73xd	—	2.92

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc.

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

The Analysis Group PLC

Ashville Insurance Brokers (Life & Pens)

Atticus Financial Services Ltd

Blackstone Franks Plc

Bryan Wells & Partners Ltd

Cameron Lee & Company Ltd

James Campbell & Son Financial Services

Clase de Vere Investments Ltd

Clifton Financial Mgmnt Ltd

First Financial Services PLC

The Fitzgerald Group

Knight Williams & Company Ltd

Lamont & Partners Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

Sharp (Albert E.) & Co

Towry Law & Co

University Medical General Ltd.

J. R. Ward Financial Services Ltd

Ward Consultancy

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

UK LISTED

Allied Dunbar International Fund Mgrs.

Brazil Capital Services Ltd

CMI Financial Mngmt Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Safeguard Portfolio	98.5	104.9	+0.3	—
Growth Portfolio	81.8	87.1	+0.3	—
Enterprise Portfolio	71.8	76.5	+0.3	—

Capital House Fund Mngrs. (C.I.) Ltd

PO Box 399, Capital Hse, Gale St, St. Helier, Jersey

Capital House International Growth Funds Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Equities				
UK Equity	$0.94	1.00	+0.01	—
North American	$1.38	1.46	—	—
Japanese	$1.43	1.52	—	—
Pacific Basin	$1.88	1.99	—	—
Continental European	$1.69	1.79	-0.01	—
Gold	$1.41	1.49	+0.01	—

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

PO Box 44, Guernsey CI

Lloyds Bank (CI) U/T Mgrs.

PO Box 195, St Helier, Jersey

Dealing weekly on Wednesday

Capital House Fund Mngrs. – Contd.

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

Delta Group

EBC Trust Company (Jersey) Ltd

Equity & Law International Fund Mgrs Ltd

Fleming Japanese Investment

Gartmore Investment Ltd

Global Asset Management Corp.

John Govett Management International Ltd

Grofund Trust Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hill Samuel Fund Mngrs (Guernsey) Ltd

Ivory & Sime (Guernsey) Ltd

Jardine Fleming Inv Mngt Ltd

Royal Bank of Canada Funds

Royal Trust Fd Mngt Ltd

Save & Prosper International

Thornton Investment Management

Touche Remnant (Guernsey) Limited

Tyndall International (Jersey) Ltd

Union-Investment-Gesellschaft GmbH

Warburg Investment Management Jersey Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star International

Equity & Law Intl Life Assce Co Ltd

Zenith Assurance Group

هكذا في الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100¼	99	Treas. 9½pc '88	99	.....	-	-
102	99	Treas 11½pc 1989	99	.....	11.51	11.94
101	98	Treas 9½pc Cnv 1989	99	.....	9.57	11.12
97	95	Treas 3pc 1989	97	+	3.09	8.33
102	99	Treas 10½pc 1989	99	.....	10.54	11.11
102	98	Exch. 10pc 1989	99¼	.....	10.07	10.94
103	99	Exch 11pc 1989	100	.....	10.97	10.70
97	94	Treas 5pc 1986-89	96	+	5.21	9.37
104	98¼	Exch 10¼pcCv '89	100½	+	10.21	9.876
107½	102½	Treas 13pc 1990‡‡	103	+	12.61	10.17
104½	100	Exch 11pc 1990‡‡	101	+	10.90	10.16
107	102	Exch. 12½pc 1990	102	+	12.15	10.27
93	90	Treas 3pc 1990	92	+	3.25	8.35
99	95	Treas 8¼pc 1987-90‡‡	97	+	8.48	10.04
102½	95¼	Treas. 8pc Cv 1990 ‡‡	99	+	8.07	8.26
103	98	Treas. 10pcCv 1990	99½	+	10.03	10.16
92	87	Exch 2½pc 1990	89	+	2.80	8.16
107¼	101	Treas 11¾pc 1991	103	+	11.40	10.14
95	90	Funding 5¾pc '87-91‡‡	92	+	6.23	9.35
90	86	Treas. 3pc 1991	87	+	3.41	8.36
105	98	Treas 10pc Cv '91 ‡‡	101	+	9.89	9.51
107	100	Exch. 11pc 1991	102	.....	10.75	10.07
98	92	Treas. 8pc 1991	94½	+	8.47	10.10
113	105	Treas 12¾pc 1992‡‡	107	+	11.86	9.95
104	98	Treas 10pc 1992	100	+	9.99	9.96
98	92¼	Treas. 8pc 1992 ‡‡	94	+	8.48	9.97
106	99½	Treas 10½pc Cv 1992‡‡	101	+	10.34	9.98
86	82	Treas. 3pc 1992	83	+	3.57	8.16
112	104	Exch. 12¼pc '92	107	+	11.44	9.96
117	108	Exch 13½pc 1992	111¼	+	12.14	9.98
97	91¼	Treas 8¼pc 1993	94	+	8.76	9.92
105	97	Treas 10pc 1993‡‡	100	+	9.94	9.84
115	107	Treas 12½pc 1993‡‡	109	+	11.39	9.85
93	87	Funding 6pc 1993‡‡	88	+	6.79	8.99

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slips after early gains

THE DOLLAR reversed its firmer start in currency markets yesterday, to finish close to the day's lows. The US unit opened on a stronger note, as investors took profits by closing out short positions, taken after disappointing August trade figures.

However, the dollar's improvement was seen as largely technical, and in contrast to an underlying bearish tone. Evidence of the dollar's weakness came in late morning, after failure to overcome resistance at DM1.8190. The dollar fell back as a result and quickly tested support at DM1.8100.

The start of trading in New York provided no fresh support, and the dollar broke through DM1.8100 to finish at DM1.8045, down from DM1.8115. Against the yen, it slipped to Y126.65 from Y127.25. Elsewhere, it finished at SFr1.5245 from SFr1.5305 and FFr6.1575 compared with FFr6.1850. On Bank of England figures, the dollar's exchange rate index fell from 96.2 to 96.1.

Sterling plotted a very steady course after a weaker opening. Its exchange rate index opened and closed at 76.4, down from 76.7 on Monday. The fall in September's retail sales figures continued to exert an influence, with overseas investors more convinced that UK base rates may not now have to be increased beyond 12 p.c. This reduced the premium on sterling, although some dealers pointed out that the UK authorities are likely to push interest rates firmer, if the pound records a sharp loss.

Consequently there was little incentive to run short on sterling. Against the dollar, sterling rose to $1.7515 from $1.7480, but was weaker against the D-Mark at DM3.1600 from DM3.1675. It was also lower in yen terms at Y221.75 from Y222.50. Elsewhere, it finished at SFr2.6700 from SFr2.6750 and FFr10.7850 against FFr10.8125.

The D-Mark opened on a slightly subdued note against the French franc, as investors heard of the French authorities' intention to hold a securities repurchase tender. However, from a weaker start of FFr3.4105, the West German unit started to edge firmer, after the US dollar hit resistance levels and turned weaker. By mid-morning the D-Mark was up to FFr3.4125 and was fixed at FFr3.4122, before coming back, on news of a rise in the French intervention rate, to FFr3.4115. However it closed at FFr3.4130, up from FFr3.4120 on Monday.

Initial reaction to the rise in French rates was not entirely favourable for the franc. Dealers suggested that the D-Mark still retains a strong position, and that a quarter point rise in intervention rates is unlikely to be sufficient to restore confidence in the franc.

However the market's initial reaction was rather muted, as investors remained wary of direct foreign exchange intervention by the Bank of France. If FFr3.4150 is not defended, then FFr3.4200 certainly will be, traders suggested.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4541	+2.35	+0.85	±1.5344
Danish Krone	7.85212	7.99475	+1.82	+0.32	±1.5404
German D-Mark	2.05853	2.07331	+0.72	-0.78	±1.0981
French Franc	6.90403	7.07582	+2.49	+0.99	±1.3674
Dutch Guilder	2.31943	2.33741	+0.78	-0.72	±1.5012
Irish Punt	0.768411	0.775177	+0.88	-0.62	±1.6684
Italian Lira	1483.58	1544.52	+4.11	+3.20	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.18	Latest	Previous Close
£ Spot	1.7530-1.7540	1.7475-1.7485
1 month	0.56-0.55pm	0.57-0.56pm
3 months	1.46-1.44pm	1.45-1.43pm
12 months	4.42-4.32pm	4.40-4.32pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilt prices recover

EARLY LOSSES in long gilt futures were soon reversed in yesterday's Liffe market as fresh buying emerged. The softer opening was largely a reflection of sterling's weaker start, but buyers soon came into the market, and the December price recovered from an opening low of 97-04, to finish at 97-11, below the day's high of 97-24, but up from 97-09 on Monday.

News of a £1bn PSBR in September was regarded as mildly bearish, being double the amount most forecasters had been looking for, and reducing the cumulative surplus for the financial year so far, to £3.7bn.

By contrast, short sterling futures finished on a weaker note, as the brighter mood created by September's surprise fall in retail sales proved to be a temporary affair.

The December price opened three ticks down at 88.32, and fell to a low of 88.27, as longer term cash rates edged up a shade. The contract finished at 88.31.

Attention is now likely to focus on tomorrow's release of US money supply figures for September, and the Mansion House speech by Mr Nigel Lawson, Chancellor of the Exchequer.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
92	523	600	1	12
94	326	409	4	21
96	140	238	18	50
98	32	125	110	137
100	6	46	250	258
102	3	21	445	431
104	0	10	642	622

Estimated volume total, Calls 5313 Puts 1969
Previous day's open int. Calls 32114 Puts 34736

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EUROMARK OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 30,825

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits on sums of ... Top Tier ... & Demand deposit 7%. Mortgage 12.375% - 12.75%

MONEY MARKETS

French rates up

RENEWED PRESSURE on the French franc prompted a rise in money market rates in Paris yesterday. The intervention rate used on four-week sale and repurchase agreements, was increased to 7.25 p.c. from 7 p.c.

The move went some way towards allaying fears about the weak performance of the French franc within the EMS, but dealers stressed that a quarter point rise in the intervention rate had been expected. More significantly, the 5-10 day repurchase rate was left unchanged at 7.75 p.c., and the mood of the market suggests that the franc may still face renewed downward pressure.

The French authorities increased the four-week sale and repurchase rate after announcing a fresh facility, where FFr54bn was allocated. Successful applicants receive their quota today, coinciding with a maturing facility, draining FFr69.8bn.

Interest rates in London were slightly firmer at the longer end, as sterling lost ground. However, market sentiment is currently leaning slightly towards the next step in base rates as being down rather than up. Despite sterling's decline, the key three-month interbank rate was unchanged at 12-11⅞ p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The Bank of England forecast a shortage of around £600m, with factors affecting the market including bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance, draining £565m. In addition, banks brought forward balances £155m below target. These were partly offset by Exchequer transactions, which added £70m, and a fall in the note circulation of £75m.

The forecast was revised to a shortage of around £650m, and the Bank gave assistance of £271m through outright purchases of £10m of local authority bills and £57m of eligible bank bills in band 1 at 11⅞ p.c., and in band 3, £4m of eligible bank bills at 11¾ p.c. It also arranged sale and repurchase agreements on £200m of bills at 11⅝ p.c., unwinding on October 25. Further help in the afternoon came to £301m, and was made up of sale and repurchase agreements on £121m of bills, under the same terms as in the morning. The Bank also bought outright, £94m of eligible bank bills in band 1 at 11⅞ p.c., £73m in band 2 at 11⅞ p.c. and £13m in band 3 at 11¾ p.c. Late help came to £170m, making a total of £742m.

In Frankfurt, the Bundesbank announced its intention to add liquidity to the money market through another sale and repurchase agreement.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LONDON STOCK EXCHANGE

Market generally calm one year on

HEAVY TRADING in Lonrho shares, widely interpreted as signalling important developments in the future of the UK based diversified trading group, provided the main feature of the London stock market yesterday. The rest of the sector passed the eve of the anniversary of the Crash of '87 in a mood of eerie, almost reverential, calm; "perhaps in memory of The Fallen" as one dealer put it, not entirely humourously.

Business almost came to a halt in late afternoon as dealers watched huge blocks of Lonrho shares move across the trading screens following disclosures of transactions by Bond Corporation and Holmes à Court of Australia, and then by Mr Asher Edelman of the US. Lonrho stock continued to trade heavily long after the Seaq network closed down last night. Dealers went home convinced that an announcement on the situation could not be long delayed; one suggestion among many was that a consortium has been formed by Australian and South African interests to break up Lonrho.

Other UK takeover stocks had a calmer session with the excitement moving across the Atlantic after Philip Morris, the US tobacco group, offered $11bn for Kraft; in the second largest takeover offer in US history. This development, together with nervousness surrounding today's anniversary of last year's collapse in global stock markets, foreshadowed a slow start in New York.

Equities opened firmly, sustained briefly by a small trading programme from a London house. However, there was disappointingly little follow through to the rise of the previous session and much of the activity, which took Seaq volume to 561.8m shares against Monday's 458.7m, reflected inter-marketmaker business. Market indices shuffled around overnight levels for much of the day, slipping lower at the close as Wall Street made a dull start.

The FT-SE Index closed 3.0 down at 1857.0. This represents a net fall of 444.9 points, or 19.3 per cent since October 15 last year, the last effective trading session before London joined in the Black Monday crash. The session of October 16 was effectively wiped out by a severe storm in Southern England.

Although the FT-SE has closed as high as 1879 this year (June 22) and many analysts continue to predict a year-end close of around FT-SE 2,000, the market has recently regarded 1850 as a significant testing level. Uneasiness was expressed at yesterday's somewhat unconvincing performance.

Shares in Consolidated Gold Fields gave ground as Minorco lifted its stake to 29.52 per cent, and thus disbarred itself from further share purchases before October 25, the first closing date of its near £3bn offer for Gold Fields.

Account Dealing Dates

*First Dealings:		
Oct 3	Oct 17	Oct 31
Option Declarations:		
Oct 13	Oct 27	Nov 10
Last Dealings:		
Oct 14	Oct 28	Nov 11
Account Day:		
Oct 24	Nov 7	Nov 21

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Oct 18	Oct 17	Oct 14	Oct 13	Oct 12	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.21	88.86	88.85	88.61	88.84	85.21	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.62	97.57	97.51	97.57	97.47	91.11	98.67 (25/5)	94.14 (9/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1509.5	1510.9	1494.0	1487.9	1471.9	1439.2	1514.7 (5/5)	1349.0 (9/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	176.4	174.1	174.1	175.0	176.0	427.6	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Oct 18	Oct 17	Oct 14	Oct 13	Oct 12	Year Ago
Ord. Div. Yield	4.39	4.40	4.44	4.45	4.71	4.21
Earning Yld %(full)	11.53	11.57	11.69	11.74	11.87	10.33
P/E Ratio(Net)(*)	10.46	10.47	10.36	10.32	10.21	11.84
SEAQ Bargains(5pm)	26,163	26,812	29,589	24,579	22,514	78,960
Equity Turnover(£m)†	-	1092.25	1275.40	1021.47	1148.37	2614.33
Equity Bargains†	-	26,590	30,334	24,492	33,895	60,974
Shares Traded (mil)†	-	380.9	506.2	473.5	430.3	992.0

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1513.2	1513.2	1513.3	1514.2	1514.0	1513.6	1511.5	1511.7

DAY'S HIGH 1515.6 DAY'S LOW 1509.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.32 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Oct 17	Oct 14
Gilt Edged Bargains	118.0	107.8
Equity Bargains	185.3	196.5
Equity Value	2035.8	2579.9
5-Day average		
Gilt Edged Bargains	111.0	111.5
Equity Bargains	171.2	169.4
Equity Value	2201.9	2162.1

London Report and latest Share Index: Tel. 0898 123001

Lonrho hogs the limelight

The market is braced for developments this morning in the dramatic Lonrho saga, following yesterday's extremely heavy session which saw 67m Lonrho shares trade up to the official shutdown at 5.00pm of Seaq, London's electronic share trading network. Dealers continued to trade the shares well after the Seaq close, at prices pushing above the final official quotation of 374p, a gain on the day of 11, and also 11 below the day's best.

Lonrho, headed by Mr Tiny Rowland, has been the focus of speculation for some time, but excitement mounted yesterday on successive disclosures of changes in equity stakes. First Lonrho announced that Bond Corporation of Australia had taken a 4.1 per cent holding in the UK based trading and industrial group. Then, the trading group of fellow Australian Mr Robert Holmes à Court was identified as holder of nearly one per cent of the Lonrho equity.

However, the biggest surprise of the day came when Mr Asher Edelman, the New York bid arbitrageur, disclosed that he had sold his 4.75 per cent stake in the marketplace, leaving the market to guess wildly at the ultimate destination of the shares.

As several very large share deals, ranging to one of 5m shares, were reported on the trading screens, the market did not rule out a dawn raid as soon as dealing starts today. At present market prices, Lonrho is valued at about £1.85bn.

Electrical sparks

Plessey and GEC caught the eye in a generally animated electronics sector. Plessey raced up to touch 175p before slipping back to close a net 4 up at 168p; turnover expanded rapidly during the morning before petering out in the afternoon, but still came out at 15m.

GEC, a busy market on Monday when 4.6m changed hands, were bid up to 169p prior to closing a shade harder on balance at 168½p with 14m shares changing hands after steady buying by at least two top agency brokers.

In Plessey's case the market was rife with rumours that French group Alcatal had been building a stake which was said to have reached 1.6 per cent. A flat denial by Plessey of any knowledge of a stake building exercise saw the shares retreat from their earlier higher level.

Dealers attributed the sudden interest to short covering by marketmakers — "and a solid burst of typical pass-the-parcel activity". Analysts said Plessey shares had been "catching up with the market and attracting significant buying ahead of the interim figures scheduled for November 17". Pre-tax profits are expected to come out around the £76m mark compared with last time's £68.2m.

GEC, according to analysts, is thought to be considering disposals as well as acquisitions and is said to have been having private meetings with major institutions.

In the background to the large share trades in both stocks were old market stories that GEC will eventually return with another bid for Plessey. There was also talk that a substantial increases in UK and NATO defence spending could be on the cards.

Meyer see-saw

Builders merchants group Meyer International, which last week lost out in the bid battle for control of Travis & Arnold, found itself temporarily in the spotlight after Svenska Cellulosa of Sweden said it was about to reveal an overseas acquisition. Meyer shares spurted to 407p before later news from Sweden disclosed that Lenska had merely taken a majority stake in Laakirche, an Austrian group. This news saw Meyer sold down to 401½p. However, at this level, the shares were still a net 10½ higher on the day, with the help of a bullish note issued by BZW.

The BZW building team says, "Our conclusion is that disappointment with Meyer's strategy and thoughts about competition will focus investors' minds on the group's ridiculously low rating - 6.6 times March 1989 earnings - when the take out multiple of Meyer's unsuccessful bid for Travis is seen to be 14.5 times".

International stocks were described by one dealer as "firm, but quiet", with some of the leading issues recording good turnovers. ICI saw 1.6m shares change hands and rose 3 to 1045p, after 1050p as investors showed mild interest ahead of the third quarter figures scheduled for next week. Warburg Securities is forecasting £1.12bn for the first nine months.

Fisons rose 7½ to 263½p in heavy trade of 6.3m shares. Dealers said the stock has been dull since the Pennwalt acquisition, but was lifted yesterday by a short position in the market as well as by conflicting rumours about US approval for its aerosol pentamidine drug.

Erratic trends in crude oil prices after the weekend meeting of Gulf countries and ahead of tomorrow's meeting of OPEC's Pricing and Strategy Committee, led to plenty of action in the oil sector which, although displaying a majority of only narrow movements, "still retains a firm undertone," said one dealer.

Combined turnover in both classes of BP — little changed at the close — approached 9m shares, while some 1.7m Shell changed hands and 4.3m British Gas ahead of the imminent Monopolies Commission report. Prices however were barely changed.

Lloyds remained one of the biggest trading stocks in the banks sector with 4.5m shares changing hands. Up to 327p at the outset on buying prompted by news of the $3.5bn US loan package to Mexico — Lloyds is perceived to have the widest exposure of the UK clearers to third world debt — the bank's shares subsequently fell back to close 6½ down at 319p. The setback reflected persistent talk in the market that some form of share placing or swap could be in the offing.

NatWest, where 4.6m went through the Seaq system, settled 8½ lower at 549p with dealers reporting persistent selling thought to have emanated from Tokyo where NatWest recently gained a market listing following the placing of 20m shares at 554p. One dealer in bank shares commented, "Quite a few shares are finding their way back to London in double quick time, in much the same way as when Barclays was granted a listing around a year ago."

Elsewhere First National Finance continued to draw persistent support from one quarter and ended the day 6 higher at 224p.

Most of the action in life assurances was concentrated in Abbey Life whose shares jumped 6½ to 306½p on turnover of 6m. Abbey, the subject of widespread takeover rumours at various times this year, were again being talked of as a potential target for a European predator.

Brewery stocks, on a day of small selling and consolidation, were led lower by Scottish & Newcastle (S&N), subject of a £1.6bn bid from Elders IXL. In turnover of 5.9m shares, S&N fell 10 to 395p, with dealers commenting that the significance of the day's trading was that the market price had fallen below the 400p per share bid price. At yesterday's closing level, Elders could raid the market for stock, but there was little evidence of concerted buying.

Allied Lyons fell 7 to 488p in thin trade of just 1.9m shares, knocked by news of Mr Alan Bond's stake in Lonrho which was seen as slightly bearish for Allied's bid prospects. Analysts were keen to point out, however, that the permutations around Mr Bond's various holdings are endless. Guinness remained a steady market, rising 2 to 343p on news of the disposal of UYC to Fitch Lovell, and on continued fundamental support.

Stores were mixed, with Storehouse running ahead 8 to 198p in turnover of 4m on revived rumours that the Mountleigh property group may launch a bid following its disposal of a £317m portfolio. Dealers expressed considerable scepticism.

Sears rose 1½ to 137p (5.7m shares changed hands), while Ratners continued to improve following the recent rights issue and gained 4 to 199p.

Although overshadowed by the major business being carried out in GEC and Plessey, Ferranti also came in for a substantial amount of buying interest, particularly from one UK securities house which was said to have picked up most of the stock offered yesterday. Some 9m Ferranti were traded and the shares moved up strongly late in the session to settle 3½ harder at 98p.

There has been heavy turnover in Ferranti shares in recent weeks amid talk that the company is set to win the lucrative contract to supply radar equipment to the Eurofighter project.

The $11bn bid for Kraft in the US sent an excited shiver through the Food sector, with Cadbury Schweppes the main beneficiary. In turnover of 3.1m shares, Cadbury rose 4½ to 379p after reaching the day's high of 383p. Other manufacturers were slow to follow.

Gateway was a weak market, falling 6½ to 175p in turnover of 4.4m as analysts reaffirmed worries about the group's performance.

Fitch Lovell's £44m rights issue to fund an acquisition from Guinness was reasonably well received as the shares fell 12 to 260p.

US influences were held largely responsible for renewed firmness in Bowater, up 11 further at 444p, but Pilkington failed to respond to County NatWest WoodMac advice that the shares were "beginning to look interesting". Macarthy prospered to close 14 higher at 251p, despite rumours that the price for a chain of chemists shops, since withdrawn for sale, was too high for the company's resources.

Kleinwort Benson "buy" advice nudged Powell Duffryn up a few pence to 378p and a revival of bid speculation raised Low & Bonar 8 to 227p. Lodge Care advanced 15 late to a new peak for the year of 202p, while AMI Healthcare rose 7 to 246p. Tomkins also attracted support, gaining 10 to 233p.

Advice that the substantial de-rating of British & Commonwealth (B&C) could be largely over brought a welcome change of direction for the shares. Activity expanded markedly on recent levels to register volume of 4.3m shares, with the price rallying 9 to 231p. Smith New Court follows up a recent detailed review of B&C with the comment, "the group is now attractive to medium term investors who can take advantage of the generally depressed conditions in the shares."

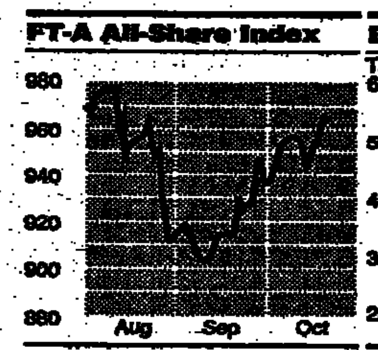
Polly Peck dipped when relatively light selling unsettled marketmakers, causing many to cut their book positions. Two vague rumours developed shortly afterwards, the first being that the current year tax charge would be higher than previously expected. The second concerned speculation of the group's impending involvement in a court case, but no details were offered. The shares closed 9 down at 315p.

Melville Group, formed five years ago following a demerger from the John Lelliott group, began first-time dealings in good style. Opening at the recent placing price level of 120p, the shares progressed in fair trading to close at 128p. Citicorp Scrimgeour Vickers believes great potential exists for the exhibition contracting-to-building services group in Europe and forecasts 1989 profits of £6.75m against the £4.45m reported this year.

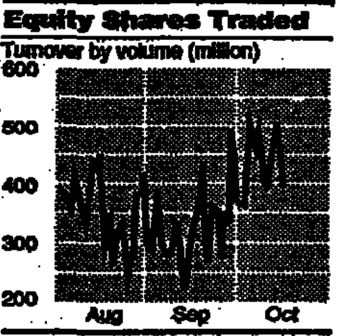
Activity on the traded options market was again well above the average of post-crash months, reaching 40,967 contracts, made up of 28,646 calls and 12,321 puts. Turnover in Lonrho accounted for a sixth of all trading, and comprised 5,227 calls and 1,792 puts, in its total of 7,019 contracts. Scottish & Newcastle Breweries made its debut, under the restricted life trading scheme, with 3,541 contracts traded, consisting of 2,261 calls and 1,280 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 33

FT-A All-Share Index



Equity Shares Traded



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Commercial Union	504	349½	-3½
[illegible]	[illegible]	[illegible]	[illegible]
Woolworth Hldgs	1,200	262	+2

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (75).
BRITISH FUNDS (14) INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Utd Mex. 16½pc 2008. FOREIGN BONDS (1) Iceland 14½ 2016. AMERICANS (1) Hospital Corp. Am., BANKS (3) Allied Irish, Joseph (Leo), TSB Channel Islands., BREWERS (3) Greenall Whitley, Do. 5.95pc Pf., Macallan-Glenlivet, BUILDINGS (6) Colroy, Copson (F.), Erith, Marley, Severfield-Reeve, CHEMICALS (3) Alcro, Chemoxy Intn'l., Hoechst AG, Perstorp B, Schering AG, ELECTRICALS (3) Ericsson (L.M.), MTL Instruments Grp., Prestwick 7.25pc Pf., ENGINEERING (3) A. Cohen, Cook (Wm), FOODS (5) Appleby Westward Grp., Booker, Clifford's Dairies, Everest Foods, Food Inds., HOTELS (1) Jurys Hotel, INDUSTRIALS (12) Avdel, Boot (H.J.), Bowater, Champ'lan Ph., Electrolux, Hughes (HT), Johnson Cleaners, Lodge Care, Macfarlane Grp., RKF Grp., St. Gobain, Spendex, INSURANCE (1) Refuge, LEISURE (1) Capital Radio, NEWSPAPERS (2) Assoc. News, Gardner D.C., PAPERS (2) Norton Opax, Usher Walker, PROPERTY (2) Allied London, Trafford Park, SHIPPING (1) Gotaas, TRUSTS (8) Drayton Cons., Edinburgh Fundinvest Inc., German Small Inv., Merchants Tst., Overseas Inv. Tst. Wrrnts., River Plate Zero Div. Pf., Scot. East. Inv., London Entertainments, THIRD MARKET (1) LGW.
NEW LOWS (21).
CANADIANS (1) Geodome Res., BANKS (1) Rea Bros. Grp., BUILDINGS (1) NSM, ELECTRICALS (3) Feedback, Intec Grp., Sympas Comp., ENGINEERING (1) Mollins, FOODS (1) Appletree Hldgs., INDUSTRIALS (6) Bader Int'l. Inc., Bluebird Toys, Copymore, Pentland, Talbex, Triangle Tst., NEWSPAPERS (1) Portsm'th & Sund. PAPERS (3) Addison, Brunning Grp., SPS Consit. Grp., OILS (1) Monarch Pet., MINES (2) Butte Mining, Kenmare Resources.

APPOINTMENTS

Guinness Mahon directors

■ Mr Anthony Allen and Mrs Sally Goodsell in the banking division and Mr Alan Hall and Mr Peter Hill in the treasury division have been appointed directors of GUINNESS MAHON & CO. Mr Michael Lindsay in the banking division has become an assistant director.

■ RAPID RECALL has appointed Mr Frank Kemp, formerly IBM's distribution marketing's dealer sales manager for the south of England, as its marketing director.

■ TUNSTALL TELECOM has appointed Mr Malcolm Shaw as contracts director. He will be responsible for the organisation, planning and management of Tunstall Telecom's installation and service departments.

■ ADVANCED ROBOTICS RESEARCH has elected Mr Phil Robson, deputy managing director of Taylor Hitec, as chairman of the board.

■ Mr Jorge F. Rojas has become director of finance at SEDDON ATKINSON VEHICLES, Oldham.

■ Mr Robert Evans has been appointed full-time chief executive of SYSTEMS RELIABILITY HOLDINGS. He joins from Hillsdown Holdings, where he has worked for over 10 years.

Sir Gordon Brunton has become chairman of INGERSOLL PUBLICATIONS. Sir Gordon, chairman of Mercury Communications, was chief executive of International Thomson for 16 years.

■ Mr Sneaki Takahataka is joining the board of AMERSHAM INTERNATIONAL on November 1. He is chairman and managing director of Hightrex.

■ Mr Patrick Donovan has been appointed director of marketing at TEXAS HOMECARE. He was managing director of the Media Group, a subsidiary of Hilton Advertising.

■ The NATIONAL FREIGHT CONSORTIUM is making Mr B.K. Burns and Mr G.S. Roberts executive directors from March.

■ Following the acquisition of Charles Stanley Services by the OCEANA CONSOLIDATED CO, Mr Michael Clark has been appointed a director of Oceana. Mr Nicholas B. Dillon has also been appointed to the board. He is the director responsible for corporate finance activities at Oceana Asset Management. Mr L.P. Mather has retired.

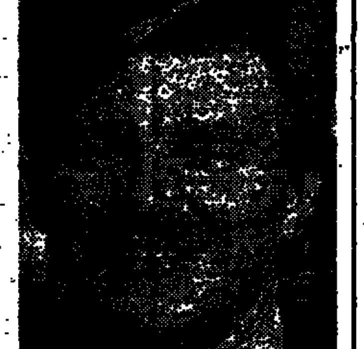
■ INTER FIT, the interior fittings and refurbishment company, has appointed Mr Alec Benham its managing director. Mr Cliff Lockwood has been promoted to contracts director. Mr Tom Higgins has joined the board of Inter Fit's parent, Emson Group.

■ HELMSMAN LOCKERS has appointed Mr David Green joint managing director with company chairman Mr Geoffrey Green.

■ Mr Andrew Ladds has become business development director at ANGLIA OILS. He was general manager of Pauls Cereals of Hull.

■ Mr Michael J. Hollingbery has been appointed a non-executive director of HEWETSON. He is a director of Woolworth Holdings and Wilson Connolly (Holdings).

■ Mr J.S. Kerridge, chairman and chief executive of Fisons, and Mr N. Talbot Rice, managing director of Sumit, have been appointed directors of F. & C. SMALLER COMPANIES.



LYONS TETLEY has appointed Mr Ken Pringle to the new position of marketing director, spearheading all three product divisions — tea, coffee and grocery. He joins from Joshua Tetley, part of Allied Breweries, where he was marketing director.

■ NABARRO NATHANSON has appointed Mr Peter Summerfield and Mr Steven Noble partners within its litigation department. Mr Summerfield was a senior partner at Oppenheimers and headed its international litigation department. Mr Noble was an associate at Oppenheimers.

■ Mr J.K.S. Morgan has become a non-executive director of ARGYLE TRUST.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
27¼	22⅞	Texas Instr $1	23¼	+⅛	72c	—	1.8
70½	43¾	[illegible] $1	66½	+⅞	$1.00	—	0.9
21½	15⅞	Transamerica $1	20⅞	+⅛	$1.84	—	5.4
20⅞	14½	TRINOVA Corp	15⅞	−⅛	64c	—	2.4
19¼	15¼	USX $1	15⅞	+⅛	$1.20	—	4.4
24	17⅞	Utd. Technologies	23¾	+⅞	$1.60	—	4.0
34½	26¾	US West	32⅞	+⅛	$3.52	—	6.3
24⅞	15⅞	Waste Management $1	24	+⅛	48c	—	1.2
16⅞	12⅞	Whirlpool $1	14½	.....	$1.10	—	4.4
33⅞	18¾	Woolworth $3½	31¾	+⅛	$1.64	—	3.0

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
281	210	HTV Ord.	281	—	11.7	♦	6.2	♦
133	45	Haulmer ASO 25	110	−2	Q15c	♦	6.6	♦
163	142	Hi-Tec Sports	145	—	13.6	3.4	3.3	10.6
32	14	Hor'i Media Comm. 5p	20½	+½	—			—
76	49	Hollaman's Hldgs 2p	75	+2	†2.85	1.4	5.1	16.2
46½	32	Kamlok 10p	42	—	†1.0	2.4	3.2	16.7
177	122	LWT 5p	174	+6	5.7	2.9	4.4	10.6
440	183	Lead Leisure 10p	352	—	8.0	4.6	3.0	9.3
*118	68	Leisure Inv 10p	93	−1	g†1.45	2.2	2.1	31.5
*112	64	Leisuretime Int. 10p	83	—	—			—
440	235	Marina Dev. 50p	417	−2	1.0	3.5	0.3	82.3
218	166	Mecca Leisure 10p	179	−5	†u3.65	2.3	2.7	17.8
127	79	Medialogic 10p	114	−2	3.67	♦	4.3	♦
182	126	Midsummer Leis 10p	182	—	†1.6	3.1	1.2	30.4
460	200	Mini World 10p	455	−3	8.0	2.6	2.3	22.2
62	32	Multiline Vision 50p	50	+2	—			28.8
29	17	Musicom Inv.	28	—	Q2c	3.5	3.5	4.7
169	87	Orient Ex Hlds	122	+7	—			—
*81	61	Owners Abroad 3p	69	+1	g2.1	1.9	4.1	20.7
358	218	Pavilion Leisure 10p	318	—				
206	59	P'dily Radio NV 5p	200	—	†2.25	2.0	1.5	45.4
264	175	Pickwick	231	+1	†2.6	2.9	1.5	30.2
*262	147	Pleasurama 5p	224	+3	♦16.0	2.4	3.6	13.2
*233	135	Do. 7pcDvCnvRedPf	202	+6	7%	—	4.6	—
158	114	Prestwich	139	−1	1.25	♦	2.2	♦
142	78	Pride Leisure 10p	139	—	4.46	2.5	4.3	11.7
265	133	Quadrant Group 10p	258	—	3.0	3.4	1.6	21.8
309	97	Radio City 'A' NV	309	—	—			39.2
276	89	Radio Clyde	273	−2	†4.25	2.8	2.9	22.9
610	394	Really Useful Grp 5p	517	+2	15.0	♦	3.9	♦
279	164	Saga Group 20p	234	—	14.6	1.2	2.8	40.2
110	78	Scott. Ice Rink 2½p	82	—	—			—
434	343	Scott. TV 10p	367	—	‡17.0	3.0	—	7.0
21	15	SelecTV 10p	15	—	—			—
63	26	Spectrum 5p	36	—	—			♦
265	197	Stanley Leisure	247	+4	3.6	3.8	1.9	17.9
74	62	TSW 5p	70	+1	3.15	♦	6.0	♦
179	129	TV-am 5p	159	—	14.5	3.6	4.0	9.3
362	286	TVS Entertain 10p	303	—	†12.5	2.9	5.6	8.2
109	101	Do. 7.4pc Prf	109	—	7.4%	—	9.1	—
406	302	Thames TV	395	+1	13.2	2.8	4.5	10.7

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☨ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or −
Albany Inv 20p	γ	72	—
Craig & Rose £1	γ	690	−20
Finlay Pkg. 5p	γ	86	+1
Holt (Jos) 25p	γ	£11⅛	—

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£99	—
9pc Cap Ln. 1996	£102⅞	+⅛
Fin. 13% 97/02	£121⅝	—

Stock		Price	+ or −
Arnotts	γ	395	—
Carrol Inds.	γ	163	+1
Grafton Grp.	γ	148	+4
Hall (R. & H.)		155	—
Helton Hldgs.	γ	68	−2
Irish Ropes	γ	165	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord.	64
Reed Intnl.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	68
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Stock	p
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Stock	p
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Stock	p
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

COMMODITIES AND AGRICULTURE

CAP reform drive cuts across Anglo-French rivalry

By Bridget Bloom, Agriculture Correspondent

MR JOHN MacGregor, Britain's Minister of Agriculture, will today meet his French counterpart, Mr Henri Nallet, amid signs that Britain and France may be closer than they have ever been on key issues of agricultural policy.

The meeting is described as an informal bilateral discussion. It will take place in London, will last for several hours, including dinner, and will have a broad based agenda.

Discussions are expected to range over issues as varied as the current review of the once contentious sheepmeat regime – which grew out of an Anglo-French "lamb-war" – and the future of rural society against the background of the declining importance of agriculture in European economies.

The two ministers are also expected to address the continuing reform of the European Community's common agricultural policy as well as the current negotiations within the General Agreement on Tariffs and Trade, in which agriculture has assumed increasing prominence.

Britain has been a leading advocate of reform of the CAP, both on grounds of cost and because it distorts international markets.

As Mr MacGregor told the Conservative Party conference last week, Britain has long argued that stability for farmers in the 1990s could only come if "surpluses were brought under control, effective budgetary discipline in the CAP established and the CAP reformed to allow a greater role for market forces."

For many years, Britain's perception was that France represented the biggest obstacle to such reforms, since in a sense it was France which originated the CAP 30 years ago and was felt to have most to gain from it.

That perception has changed substantially in the last year, however, as British and French ministers have found themselves increasingly often on the same side in farm negotiations in Brussels.

Nallet seeks flexible farm policies

Bridget Bloom talks to France's technocratic Agriculture Minister

"I MUST seem rather liberal to you for a socialist minister". Mr Henri Nallet, the French Minister of Agriculture since the Socialist administration was formed last summer, spoke wryly, having several times underlined his belief that it was up to French farmers and the country's food processors, rather than the Government, to ensure the health of the industry.

Mr Nallet was talking particularly about the need for farmers and processors to show initiative in seeking new markets and new opportunities. "There are of course certain measures which the Government can take to improve the climate for business. But these must be secondary. It is the responsibility of industry to improve the marketing of their products and this – rather than the actual production of food – is our weakness now," he explained.

The Minister, who also held the job briefly in the mid-1980s, gives the impression of being a technocratic rather than an overtly political minister. The word his officials use about him is *calme*. In an interview at the weekend in his home town of Tonnerre, near the wine-growing region of Chablis, the remark about the role of industry and government was one of many indicating a markedly more liberal approach to farm policy than most of his predecessors.

He attributes France's conversion to what he calls the British view of the need for farm reform in Europe to spiralling farm expenditure in the mid-1980s. "We might not have liked the way Mrs Thatcher went about telling us how costly the CAP was" Mr Nallet says, "but she made a legitimate point. We had to curb spending, or risk the budget exploding." It was also important internationally that the CAP become more market oriented, he added.

However, if France now accepts the need for reform, Mr Nallet believes it poses a dilemma for the country. Northern and much of eastern France is rich agriculturally and can readily compete with EC and foreign producers, he says. But in much of southern and western France the reforms, bringing lower prices for farmers, threaten to accelerate an already marked exodus from the land.

France has some 800,000 farmers, about 7 per cent of the active working population (compared with Britain's 220,000 farmers, comprising under 2 per cent of the working population). More than half this number are over 50 and around 160,000 are over 65. Mr Nallet estimates that 300,000 will leave the land in the next ten years; others put the figure considerably higher.

"We could be completely Anglo-Saxon about the problem and leave the solution entirely to market forces," Mr Nallet says. But he adds that France cannot afford, for economic as much as social reasons, to allow this to happen. Instead he sees the development of much more flexible policies within the EC which will allow different solutions to be applied in different regions of the Community, as well as within member states.

Over the longer term, "those who can be competitive, should be, with public aid being rarely given," he says. In these areas the agricultural industry must develop new markets,and broaden the range of products processed. . . "It is ridiculous than we should be the Community's premier exporter of cereals yet be net importers of biscuits."

In the poorer areas, Mr Nallet wants to see a package of measures from which member states can choose and which, he believes, should be paid for in great part by member states, rather than from the EC budget. The measures would range from those now underway, like the promotion of less intensive farming, special payments for less favoured areas and the extention of the wine industry's *appellation*

Henri Nallet: His officials call him *calme*

contrôllée system to boost the quality of other products, to those which would promote the formation of bigger, more extensive farms in the depopulated rural areas.

Among the specific measures he would encourage to revitalise farming in these areas Mr Nallet lists foreign immigration, particularly after the creation of the single market, due in 1992. France has welcomed foreigners in the past - many Dutch and Belgian farmers came after the second world war, while the Dordogne, for example, took in farmers who left Algeria in the 1950s.

"If we can encourage the formation of bigger farms in some *departments* I would like to invite Scots farmers to come - their great *savoir faire* in such extensive farming could greatly help us," he says.

For the future, his message is not that the CAP should disappear – he clearly believes in continued protection for key areas – but that it should become less oriented towards support for production, more market-oriented in key respects, more flexible and simpler. Mr Nallet also believes that the future of many rural areas will depend not simply on agriculture, as in the past, but on measures designed to improve the rural economy as a whole. He believes the publication by the European Commission in July of a report known as *Le Monde Rurale* is a helpful start to developing these concepts. "I want a completely open debate on this issue within France," Mr Nallet says, adding that he is planning to appoint a special commission designed to examine ways of making the often rigid French laws relating to farming more relevant to today's problems.

As for France's attitude to the current GATT talks, Mr Nallet says the critical question is what the US actually intends to do – rather than what it says. Washington's call for the abolition of all farm subsidies within ten years is quite unrealistic, Mr Nallet says.

Negotiations should be balanced: it is not good enough, for example, for the US to call for the abolition of export subsidies on farm produce without at the same time accepting that its internal barriers, like the health regulations which have prevented exports of French cheese to the US, must also be removed.

"I do not go all the way with the British in believing that markets can be determined by price alone," Mr Nallet says. But neither does he want to see world markets so organised by the industrialised countries that they totally undermine the economies of less developed countries.

He described the EC's sale to Latin America in 1986 of beef "at a dollar a kilo" as an "economic absurdity" as well as very bad politics. He asked: "How can we possibly try to deal credibly with the debt problems of such countries when we undermine their economies in such a way?"

Mr Nallet declared that he was relatively optimistic that the GATT negotiations would result in freer world trade, just as he believed that on the more parochial matter of the sheepmeat regime, Britain and France would be able to agree on an acceptable solution.

Brazil oil exploration ban sparks UK warning

By Karen Fossli in Rio de Janeiro

BRAZIL'S RECENT ban on foreign oil exploration in its territory provoked its first public retaliation this week when Mr Peter Morrison, the UK oil minister, warned that Brazilian access to the North Sea would be prevented.

Speaking at an international oil conference in Rio de Janeiro this week, Mr Morrison said that concessions would have to be made if the Brazilian state oil company, Petrobras, wished to be considered in the coming 11th UK offshore licensing round.

"There has to be reciprocity, which under their current constitution seems difficult to achieve," he said, prior to a meeting with counterpart Mr Aureliano Chaves yesterday.

The UK's move confirmed fears expressed by senior Petrobras officials, that a constitutional ban on all foreign oil risk contracting ratified by the Brazilian Congress this month, would provoke retaliation.

Under the leadership of Col Ozires Silva, Petrobras had been seeking to become a major freely operating player in the world's energy business in spite of pressure from Brazilian Nationalists to concentrate its activities within the country.

Braspetro, its international subsidiary, had established an office last autumn in Norway, where it won stakes in two licences. There were also plans to open a subsidiary in London to handle oil trading and exploration activities.

However, Col Silva was dismissed as chief executive last June after a row with Brasilia over pay policy for the company staff. Behind the dismissal was mounting disquiet in some government circles as to the company's growing independence and internationalism.

Currently Texaco and Pecten, a Shell subsidiary, are exploring for oil in Brazil but they will not have their licences renewed when their contracts expire.

Mr Wagner Freire, a Petrobras director, last week expressed the fear that Brazil's new constitution would adversely affect the future of the company.

Earlier this year foreign oil companies threatened to withdraw from Brazil if another constitutional clause threatened to restrict petrol distribution to majority Brazilian-owned companies.

While this fell the ban on oil risk contracting and on minerals exploration by foreign groups was implemented

Tokyo treads warily on bullion trading

By Stefan Wagstyl in Tokyo

TOKYO'S AMBITIONS to develop into an international gold trading centre take a modest step forward today with the opening of a market in warehouse receipts for gold.

The Tokyo Commodity Exchange for Industry which is launching the new market hopes that it will eventually lead to the creation of a fully-fledged Tokyo bullion market.

The exchange has traded precious metals futures since 1982. But its hopes of diversifying rapidly into bullion were hit severely by the 1986 Toyota Shoji scandal in which a gold trading company went bankrupt with debts of Y200bn (£900m).

Since then, the Ministry of International Trade and Industry, which supervises commodity trading, has become even more cautious about relaxing rules, for fear of attracting speculative investors to the bullion markets. However, a recognition of Japan's growing importance as a gold importer has persuaded the ministry of a need to allow an international trading centre to develop.

Earlier this year, the exchange announced plans to admit foreign members from next year.

However, the trading of warehouse receipts is unlikely to have a big impact. The instruments are certificates of ownership of gold held by a trustee, usually a bank. As such they may not be very liquid – a prime consideration for investors using the gold market.

Nevertheless, the exchange is likely to do its best in the hope of one day persuading MITI to drop its opposition to fully-fledged bullion trading. Some brokers believe that might come in the next two or three years, given the continuing increase in the buying of gold for investment in Japan.

The World Gold Council, a gold promotion group, forecasts that Japanese investment demand for gold could be 200 tonnes this year, 50 per cent more than in 1987.

Brazilian gold mine on stream from next year

By John Barham in Sao Paulo

BRAZIL'S LARGEST mining company, Companhia Vale do Rio Doce, has said that it will begin production at an important new gold mine next year.

The mine is part of the company's $260m strategy to become a major gold producer.

The Igarape Bahia mine has reserves of 65 tons of gold and should come on stream by mid-1989, according to Mr Domingos Drummond, the company's precious metals director.

He said initial production was expected to be 100 kg a year, rising to 2 tons a year by 1991. The mine, the company's second largest, is located in its vast Carajas project in the Southeast Amazon area.

Last month CVRD began operations at its largest gold mine, Fazenda Brasileiro in the Northeast of Brazil. Initial output there will be 2 tons a year, increasing to 4 tons annually within three years.

It plans to produce more than 12 tons of gold a year by 1993, which would make it the largest gold producer in South America.

Last year Brazil produced 84 tons of gold, 24 per cent more than in 1987. Independent prospectors, known as garimpeiros, accounted for about 70 per cent of the production total.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,145-2,180 (2,170-2,200).

BISMUTH: European free market, min. 99.99 per cent, $ per lb. tonne lots in warehouse, 5.65-5.95 (5.80-6.00).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 5.70-6.70 (6.30-6.70), sticks 5.70-6.70 (6.30-6.70).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.00-7.25 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 380-390 (310-325).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.45-3.52 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.35-9.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 54-62 (same).

VANADIUM: European free market, min. 98 per cent, V_2O_5, cif, 5.90-6.20 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 14.15 (same).

Locust swarms arrive in Caribbean

By Canute James in Kingston

AFRICAN LOCUSTS, for centuries the scourge of the continent's agriculture, have arrived in the Caribbean. Government officials in the eastern Caribbean archipelago say the locusts were found in five islands over last weekend.

The locusts travelled across the Atlantic on high winds of several storms which have formed in the ocean and entered the Caribbean in the past three months. Having reached the Caribbean, the locusts will be able to island-hop and threaten the US and central and South America, according to plant protection officers in the eastern Caribbean.

The swarms of locusts have been seen so far in Barbados, St Lucia, Dominica, Grenada and St Vincent. "They appear to be eating all before them," said one St Lucian plant protection officer. Officials in agriculture ministries in several islands have warned that the locusts will attack sugar cane plants, corn and other grasses.

There is yet no indication of what the governments of the islands will do to deal with the threat from the locust to a region where agriculture is a major pillar of the economy, accounting for 28 per cent of gross domestic product in Dominica, 22 per cent in Grenada and 14 per cent and 17 per cent in St Lucia and St Vincent, respectively.

One government official says some governments are planning to seek help from the United Nations Food and Agriculture Organisation.

NZ lamb crop at 10-year low

By Dai Hayward in Wellington

NEW ZEALAND will have fewer lambs to export to world markets this season.

The crop will be down at least 1.7m, or 3.6 per cent, on last season at 44.5m head. That is 8m below the 1984 peak and the lowest annual lamb production for 10 years.

The continuing decline has been caused by farmers changing from meat to wool production and having fewer ewes mated. The percentage of live births is also down.

In the South Island a severe drought and a devastating hurricane, which blew away hundreds of acres of top soil over the weekend will affect lamb growth and production.

Last season 28.2m lambs were killed for export. This season the kill could be as low as 26m.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA prices rallied late in the afternoon as prices rose sharply in New York, where rumours were circulating that the projected French financial aid package for the Ivory Coast would remove 400,000 tonnes of cocoa from the market. Market operators still needed firm details on the Ivorian pact before committing themselves too heavily, but were prepared to go with the current trend, dealers said. Coffee prices were also ahead following chart-inspired opening gains in New York. On the LME, base metal prices turned downwards. Zinc saw a sell-off in morning trading before the sound fundamentals reasserted themselves. Peruvian mining union claims that the strike which started on Monday was already affecting 80 per cent of national production helped to underpin recent higher levels.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$11.00-1.10x	-0.65
Brent Blend	$12.83-2.92z	-0.70
W.T.I. (1 pm est)	$14.66-4.69z	-0.54
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$170-174	
Gas Oil	$120-121	-3
Heavy Fuel Oil	$63-65	-2
Naphtha	$135-137	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$411.75	-0.50
Silver (per troy oz)♣	638c	-5
Platinum (per troy oz)	$540.25	
Palladium (per troy oz)	$123.25	
Aluminium (free market)	$2247.5	-65
Copper (US Producer)	134¾-141c	
Lead (US Producer)	39c	
Nickel (free market)	530c	-20
Tin (European free market)	£4252.5	+12.5
Tin (Kuala Lumpur market)	19.60r	+0.06
Tin (New York)	343.5c	+1.0
Zinc (Euro. Prod. Price)	$1437.5	+87.5
Zinc (US Prime Western)	69⅞c	
Cattle (live weight)†	108.60p	-0.12*
Sheep (dead weight)†	139.28p	-4.19*
Pigs (live weight)†	73.20p	+2.10*
London daily sugar (raw)	$265.6w	+5.8
London daily sugar (white)	$263.0w	+1.0
Tate and Lyle export price	£261.0	+4.5
Barley (English feed)	£111v	
Maize (US No. 3 yellow)	£128.5v	
Wheat (US Dark Northern)	£120.5v	+1.0
Rubber (spot)♥	57.00p	+1.50
Rubber (Nov)♥	63.25p	+1.75
Rubber (Dec)♥	63.75p	+1.75
Rubber (KL RSS No 1 Nov)	277.5m	+1.0
Coconut oil (Philippines)§	$552.5u	
Palm Oil (Malaysian)§	$435v	
Copra (Philippines)§	$380	
Soyabeans (US)	$193	+2.5
Cotton "A" index	58.30c	-0.15
Wooltops (64s Super)	572p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	798	777	801 785
Mar	796	781	797 786
May	804	790	805 776
Jul	813	803	815 795
Sep	827	819	812 808
Dec	870	859	847
Mar	880	875	885 868

Turnover: 5032 (3842) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 17: 995.22 (953.68) :10 day average for Oct 18: 974.48 (967.17).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1148	1134	1146 1135
Jan	1144	1138	1145 1130
Mar	1134	1131	1141 1124
May	1130	1125	1134 1127
Jly	1133	1125	1130 1125
Sep	1133	1125	1135
Nov	1130		1120

Turnover: 2745 (1087) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 13: Comp. daily 113.68 (112.87); . 15 day average 116.00 (115.02).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	230.00	231.60	237.00 230.00
Mar	220.40	223.40	229.20 219.20
May	216.20	219.00	224.00 215.00
Aug	211.60	214.20	216.00 213.00
Oct	219.00	212.00	216.00 211.60
White	**Close**	**Previous**	**High/Low**
Dec	262.00	264.00	266.00
Mar	264.00	256.00	262.00 253.00
May	252.50	256.00	258.20 251.50
Aug	252.50	256.00	
Oct	251.50	254.30	

Turnover: Raw 4985 (2160) lots of 50 tonnes. White 972 (641).
Paris- White (FFr per tonne): Dec 1600, Mar 1570, May 1569, Aug 1570, Oct 1570, Dec 1575

GAS OIL $/tonne

	Close	Previous	High/Low
Nov	120.50	123.25	122.50 119.25
Dec	122.50	125.50	124.50 121.25
Jan	123.75	125.75	125.00 122.25
Feb	122.00	127.25	122.75 121.00
Mar	120.00		124.00 119.75
Jun	115.50	118.60	118.00 115.50

Turnover 7249 (7901) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	105.95	107.00	106.85 105.90
Jan	108.50	110.10	108.85 108.40
Mar	112.50	113.05	112.80 112.50
May	115.30	116.90	116.55 115.30
Barley	**Close**	**Previous**	**High/Low**
Nov	105.00	105.15	105.15 105.00
Jan	108.70	108.80	108.80 108.70
Mar	110.80	110.80	110.85 110.80
May	112.50		112.50

Turnover: Wheat 701 (238), Barley 227 (81).
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,025 tonne
Cash	2310-20	2320-30	2250	2245-50		
3 months	2205-10	2245-50	2235/2130	2145-50	2218-20	18,534 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 3,550 tonne
Cash	1280-90	1310-20	1360/1355	1255-60		
Dec. 21	1235-40	1262-72	1295	1210-20		20,300 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,400 tonne
Cash	1660-2	1667-72	1670/1665	1658-9		
3 months	1570-1	1576-7	1578/1558	1577-9	1575-6	68,737 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1580-90	1590-610		1590-600		
Jan. 4	1540-50	1545-55		1550-60		35 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	633-5	638-8.5		638-40		
3 months	645-9	651-3		652-3		435 lots
Lead (£ per tonne)						Ring turnover 10,325 tonne
Cash	371.5-2.5	377-8	370/369	369-9.5		
3 months	374-4.5	379-9.5	377/372	373.5-4	372-3	10,215 lots
Nickel ($ per tonne)						Ring turnover 576 tonne
Cash	11300-400	11850-900	11600/11450	11450-500		
3 months	10450-500	10900-50	10750/10500	10575-600	10400-60	5,744 lots
Zinc ($ per tonne)						Ring turnover 22,375 tonne
Cash	1590-600	1600-5	1580/1555	1558-60		
3 months	1464-7	1470-2	1475/1425	1432-3	1460-3	17,025 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	59.0	58.0	58.5
Feb	71.0	69.0	
Apr	94.4	92.3	94.5 92.5
May	105.0		105.5 104.5

Turnover 129 (133) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	178.00	177.50	179.50 178.00
Feb	183.50	183.00	184.00 183.50

Turnover 62 (73) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Oct	1343	1348	1344 1338
Nov	1416	1426	1424 1416
Jan	1474	1479	1480 1473
Apr	1507	1523	1523 1507
Jul	1319	1323	1320 1319
BFI	1316	1314	

Turnover 151 (193)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	411½-412	235-235½
Opening	412¾-413¼	236¾-237¼
Morning fix	413.05	236.864
Afternoon fix	411.45	235.087
Day's high	413¼-413¾	
Day's low	410¾-411¼	

Coins	$ price	£ equivalent
Mapleleaf	423-428	241½-244½
Britannia	423-428	241½-244½
US Eagle	423-428	241½-244½
Angel	422½-427½	241-244
Krugerrand	411-414	234½-236½
New Sov.	96¾-97¾	55¼-56
Old Sov.	96¾-97¾	55¼-56
Noble Plat	552.65-559.25	317.35-321.05

Silver fix	p/fine oz	US cts equiv
Spot	367.15	641.40
3 months	378.05	655.10
6 months	388.70	668.05
12 months	409.30	697.35

JUTE
C and f Dundee BTC $470, BWC $460, BTD $420, BWD $430, c and f Antwerp BTC $455, BWC $445, BWD $405, BTD $415.

COTTON
Liverpool- Spot and shipment sales for the week ended October 14 amounted to 226 tonnes against 160 tonnes in the previous week. Fair operations occurred with dealings in west African, Soviet and Turkish growths.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2200	121	148	31	136
2300	63	107	73	195
2400	28	75	138	261
Copper (Grade A)	**Calls**		**Puts**	
2550	256	216	19	138
2800	148	147	68	215
2950	71	96	132	312

US MARKETS

A SHARP DECLINE in crude oil prices kept most of the metals from advancing, reports Drexel Burnham Lambert. Copper was the most active metal as prices fell over 100 early on, but rallied to close up 320. In the softs, sugar gained early as prices rose above the 10 cents level from heavy trade buying. Prices then stalled and the trade began to liquidate. The March contract closed down 19. Cocoa gained 23 points as news of the Ivory Coast holding back cocoa initiated trade buying. Coffee was again quiet with light speculative short covering and producer selling seen. The grain markets were dominated by local and light commercial activity. Trading was two sided as prices fell slightly near the close. Wheat closed down over 7 in December. In cotton trading, prices fell over 100 as the speculator and hedge figures released indicated longs in the market. Most of the meat markets were lower as heavy commission house selling was featured. In energy trading, crude oil prices sank over 50 cents as most traders await positive news about the upcoming OPEC meeting.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	411.8	412.2	412.6	412.6
Nov	413.0	413.4	0	0
Dec	415.1	415.5	417.0	413.7
Feb	420.3	420.7	422.0	419.2
Apr	425.5	425.9	425.4	425.0
Jun	430.7	431.1	431.5	429.5
Aug	436.2	436.5	0	0
Oct	441.9	442.1	441.5	441.5
Dec	447.5	447.7	449.0	446.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	540.2	538.4	540.5	535.5
Jan	540.2	538.9	544.0	535.0
Apr	544.3	543.2	548.0	540.0
Jul	550.0	548.9	551.5	546.0
Oct	556.1	555.0	554.0	554.0
Jan	562.8	561.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	636.5	640.5	0	0
Nov	638.0	643.0	0	0
Dec	642.5	647.5	648.5	640.5
Jan	647.4	652.4	0	0
Mar	657.2	662.2	664.0	655.0
May	667.0	672.0	671.0	670.0
Jul	677.4	682.4	684.0	679.0
Sep	687.5	692.5	0	0
Dec	702.9	707.9	709.0	702.0
Jan	707.8	712.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	138.00	134.10	138.00	135.00
Nov	133.80	129.60	0	0
Dec	127.60	124.60	128.30	122.70
Jan	122.80	119.60	0	0
Mar	112.80	109.80	113.00	108.40
May	106.00	105.60	107.50	104.20
Jul	104.80	102.90	106.00	101.00
Sep	103.30	101.40	0	0
Dec	101.80	99.90	101.70	101.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	14.68	15.21	14.96	14.67
Dec	14.14	14.67	14.42	14.05
Jan	13.89	14.45	14.25	13.80
Feb	13.78	14.38	14.20	13.71
Apr	13.85	14.41	14.20	13.85
May	13.90	14.45	14.29	13.85
Aug	14.17	14.57	14.33	14.17

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4320	4462	4410	4285
Jan	4355	4498	4445	4320
Feb	4305	4455	4380	4280
Apr	3920	4061	4060	3900
May	3820	3967	3880	3790
Jun	3775	3892	3845	3750
Jul	3750	3872	3860	3750
Aug	3880	3917	3880	3880

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1341	1318	1365	1265
Mar	1301	1279	1312	1240
May	1323	1300	1330	1260
Jul	1335	1320	1351	1280
Sep	1355	1340	1380	1305
Dec	1390	1373	1380	1341
Mar	1419	1403	1392	1375

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	123.48	124.71	125.80	123.20
Mar	124.77	125.73	126.50	124.40
May	124.90	125.86	126.50	124.60
Jul	125.20	126.00	126.35	124.80
Sep	125.75	125.75	125.79	125.70
Dec	126.95	127.25	0	0
Mar	125.50	126.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	9.35	9.55	9.70	9.70
Mar	9.66	9.85	10.13	9.64
May	9.42	9.63	9.88	9.42
Jul	9.30	9.46	9.68	9.28
Oct	9.17	9.36	9.53	9.15
Jan	8.85	8.77	0	0
Mar	8.75	9.03	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	53.64	55.10	54.75	53.60
Mar	53.70	55.05	54.65	53.65
May	53.85	54.93	54.45	53.80
Jul	53.65	54.76	54.45	53.65
Oct	54.45	55.62	55.15	54.45
Dec	54.36	55.80	55.30	54.45
Mar	54.60	55.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	180.35	188.65	191.80	187.30
Jan	176.50	174.90	177.50	174.70
Mar	172.50	171.15	173.00	170.50
May	171.15	169.10	171.30	168.75
Jul	169.10	168.10	169.00	168.90
Nov	163.70	164.25	163.75	163.75
Jan	163.70	164.25	0	0
Mar	163.70	164.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 17	Oct 14	mnth ago	yr ago
1870.5	1839.9	1885.0	1661.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	134.49	134.11	134.93	122.27
Futures	139.28	139.03	137.98	121.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	805/4	810/6	816/0	804/0
Jan	817/6	822/6	829/0	817/0
Mar	828/6	831/4	838/0	826/0
May	828/4	832/0	837/4	827/4
Jul	823/6	827/0	833/0	823/0
Aug	811/0	813/0	818/0	816/0
Sep	757/0	761/4	767/0	756/0
Nov	724/0	729/4	732/0	724/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	24.02	23.95	24.40	24.00
Dec	24.36	24.23	24.78	24.28
Jan	24.62	24.50	25.02	24.60
Mar	25.10	25.02	25.80	25.10
May	25.49	25.37	25.80	25.45
Jul	25.70	25.57	25.95	25.70
Aug	25.62	25.40	25.95	25.60
Sep	25.70	25.52	25.90	25.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	258.7	262.5	262.5	258.5
Dec	262.3	265.4	266.4	261.8
Jan	261.2	263.7	265.0	260.8
Mar	258.7	261.1	262.5	258.0
May	254.7	257.5	258.0	254.0
Jul	250.2	253.5	253.5	250.0
Aug	244.0	244.0	245.2	244.0
Sep	233.0	236.0	237.0	233.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	282/2	295/0	296/6	282/0
Mar	295/6	298/2	299/0	295/4
May	298/4	300/4	301/0	298/2
Jul	295/0	297/6	298/2	295/0
Sep	273/4	274/2	275/6	273/4
Dec	260/2	259/4	261/6	259/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	423/0	430/2	429/2	421/4
Mar	428/2	434/6	434/6	427/0
May	409/6	410/4	411/0	407/4
Jul	371/4	372/4	372/4	368/4
Sep	374/4	377/6	376/0	374/4
Dec	382/0	386/0	384/0	382/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	72.27	73.05	73.00	72.12
Dec	74.07	75.22	75.10	73.92
Feb	74.45	75.30	75.20	74.30
Apr	75.40	76.02	76.08	75.35
Jun	74.10	74.70	74.70	74.05
Aug	71.72	72.27	72.20	71.70
Sep	71.90	71.90	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	39.90	39.97	39.95	39.55
Dec	43.10	43.02	43.85	42.45
Feb	46.47	46.07	46.60	45.70
Apr	44.47	44.40	44.60	44.05
Jun	48.62	48.35	48.70	48.10
Jul	48.32	49.07	48.97	48.60
Aug	48.35	48.30	48.40	47.95

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.77	49.05	48.95	47.80
Mar	49.25	49.52	49.45	48.40
May	51.02	51.25	51.20	50.10
Jul	51.77	51.95	52.00	51.05
Aug	50.25	50.82	50.60	49.10

ST:1 on top

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices October 17

Quotations in cents unless marked $.

[illegible]

Total Sales 3,920,117 shares.

MONTREAL
Closing prices October 17

[illegible]

INDICES

NEW YORK — DOW JONES

	Oct 17	Oct 14	Oct 13	Oct 12	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2140.47	2133.18	2133.36	2126.24	2158.95 (10/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.91	90.04	90.09	89.97	91.25 (3/5)	86.12 (4/1)	–	–
Transport	916.42	915.11	912.76	908.81	929.06 (7/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	183.97	183.50	184.39	183.62	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2150.60 (2153.81) Low 2120.02 (2118.78)

STANDARD AND POOR'S	Oct 17	Oct 14	Oct 13	Oct 12	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	276.41	275.50	275.22	273.98	278.24 (10/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	318.12	316.70	316.32	314.92	319.72 (10/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	26.01	25.94	25.98	25.88	26.37 (10/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	155.87	155.46	155.34	154.77	156.96 (10/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	303.27	302.55	302.04	301.91	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	385.01	384.59	383.46	382.55	394.77 (18/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Oct 14	Oct 7	Sep 30	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.60	3.66	3.07
	Oct 12	Oct 5	Sep 28	year ago (approx.)
S & P Industrial div. yield	3.15	3.18	3.21	2.40
S & P P/E ratio	13.15	13.13	12.98	23.20

TRADING ACTIVITY †Volume Millions	Oct 17	Oct 14	Oct 13
New York	119.290	160.240	154.530
Amex	9.020	8.354	9.190
OTC	99.652	119.121	112.376

NEW YORK	Oct 17	Oct 14	Oct 13
Issues Traded	1,947	1,898	1,937
Rises	737	714	764
Falls	666	650	663
Unchanged	544	534	510
New Highs	35	38	32
New Lows	20	12	14

CANADA

TORONTO	Oct 17	Oct 14	Oct 13	Oct 12	1988 High	1988 Low
Metals & Minerals	2867.3	2874.9	2873.6	2856.1	3226.5 (5/7)	2238.7 (8/2)
Composite	3376.8	3373.8	3371.6	3367.5	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1678.13	1677.51	1679.68	1673.48	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Kroger WI	4,747,300	9¾	+ ⅜	CSX Corp	1,520,300	31¼	+ ⅛
Wickes	2,863,100	7⅞	+ ½	Mead	1,460,700	45⅝	+ 1⅝
Hospital Corp	2,247,400	49	+ ⅝	Am T & T	1,369,800	26¼	+ ⅛
Chrysler	1,920,300	26⅛	+ ⅜	Exxon	1,267,400	45⅛	–
Unisys Corp	1,692,500	28⅝	– 1⅝	Phillips Pet	1,219,500	20⅛	– ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Oct. 11	Oct. 10	Oct. 7	Oct. 6	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1543.5	1534.6	1525.8	1516.3	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	722.4	710.1	704.8	691.9	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	206.50	205.90	204.70	205.48	206.50 (11/10)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5340.00	5338.70	5326.20	5331.94	5340.00(11/10)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	235.51	233.93	233.66	235.51 (10/10)	188.68 (4/1)
FINLAND						
Unitas General (1975)	674.7	671.7	676.5	680.6	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	383.2	384.9	382.6	382.0	384.9(10/10)	251.3 (29/1)
Ind. Tendance(31/12/87)	145.4	148.2	147.8	147.7	148.4 (5/10)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	525.93	529.13	522.57	519.54	529.13 (10/10)	396.40 (29/1)
Commerzbank (1/12/53)	1592.90	1602.80	1582.20	1573.40	1602.80(10/10)	1207.9 (29/1)
DAX (30/12/87)	1271.31	1286.93	1269.36	1261.63	1286.93 (10/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2571.61	2566.42	2478.87	2427.04	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	564.89	557.17	558.35	558.47	564.89 (11/10)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27469.60	(c)	27258.27	27172.34	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2113.97	(c)	2101.95	2096.76	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	281.2	281.5	277.4	276.10	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	246.5	248.2	245.8	244.0	248.2 (10/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	395.13	394.46	393.48	392.09	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1018.54	1015.90	1003.27	997.74	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1368.0♦	(c)	1339.0	1317.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1788.0♦	(c)	1759.0	1742.0	1788.0 (11/10)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	285.09	284.54	282.79	282.32	301.63 (15/6)	225.90 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3177.70	3200.30	3168.70	3161.90	3200.30 (10/10)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	576.40	576.40	573.40	568.50	576.40(10/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	451.2	448.6	443.9	465.2 (15/6)	401.0 (21/1)

**Saturday Oct. 8: Japan Nikkei (c) and TSE (c)
♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 18 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	83.6m	900	-5	NKK	11.8m	785	-18
Nippon Steel	29.5m	785	-10	Mitsubishi Electric	10.3m	987	+14
Sumitomo Metal	16.2m	702	-8	Mitsubishi Heavy	10.0m	936	-14
Osaka Gas	12.1m	757	-65	Kobe Steel	9.7m	620	-11
Kawasaki Heavy	11.9m	728	-18	Japan Line	7.9m	385	-9

2pm prices October 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅝	14	AAR s	.44	1.7	18	51	25½	25¼	25¼	
[illegible]	9⅝	ACM n				44	9¾	9¾	9¾	
[illegible]	8¾	ACMIn	1.26a	11		[illegible]	11½	11	11½	+ ⅛
[illegible]	[illegible]	ACMSc	n1.26	11		344	[illegible]	10⅞	11	
10¾	8⅞	ACMSp	n1.[illegible]	1[illegible]		396	9⅜	9¼	9¼	– ⅛
6¼	3¼	AM Intl				72	5½	5¼	5¼	
29¾	[illegible]	AM Int pf	2	9.0		21	22⅞	22½	22½	
51¼	26⅝	AMR			10	5573	48⅝	47⅝	48⅝	+ ⅝
27	25	AMR pf	2.67	10		4	25	25	25	– ⅛
9½	5⅝	APL			11	175	7⅛	7	7⅛	+ ⅛
73½	55¼	ASA	3	7.7		249	39⅞	38⅝	38⅞	
[illegible]	7½	AVX	.12e		5	[illegible]	18⅞	18⅝	18⅞	
52¾	40	AbtLab	1.20	2.5	15	2275	48⅞	48	48⅜	+ ⅛
25	15⅝	AbtLbs	[illegible]			[illegible]	18⅞	18⅝	18⅞	+ ⅛
13⅞	8½	AcmeC	.40	4.4		49	9⅛	9	9½	– ⅛
9	6⅝	AcmeE	.32b	4.7	48	8	7	6⅞	6⅞	
27½	13¼	Acuson	n		23	72	24⅝	24½	24⅝	
17⅞	14½	AdaEx	3.25e	18		32	18⅛	18	18⅛	+ ⅛
17¼	9⅞	AdamMl	.24	1.4	16	39	17	16⅝	16⅞	+ ⅛
15⅞	7½	AMD			17	2240	9⅝	9⅜	9⅜	– ⅛
43½	29¼	AMD pf	3	9.2		5	32½	32½	32½	– ⅛
8½	4⅞	Adobe				28	7⅝	7½	7⅝	+ ⅛
19⅝	16¼	Adob pf	1.84	10		9	18⅛	18	18⅛	+ ⅛
27¼	17½	Adob pf	2.40	11		19	22⅞	20⅞	22⅞	– ⅛
9⅞	5⅞	Advest	.12	1.5	14	111	7⅞	7⅞	7⅞	
57¼	39½	AetnLf	2.76	5.4	8	1222	51¼	50⅞	50⅞	– ⅛
34⅞	22½	AfilPb s	.20		7	443	30	29⅞	29⅞	+ ⅛
19⅝	13	Ahmans	.88	5.1	11	1405	17½	17	17⅛	– ⅛
4⅝	1½	Aileen				41	4⅛	4	4	– ⅛
53⅞	39	AirPrd	1.20	2.9	11	701	42	41½	41½	
22	11⅞	AirbFrt	.60	3.3	24	115	18⅛	18	18	– ⅛
15⅞	6⅝	Airgas			17	5	14⅝	14⅝	14⅝	
25	15½	AirLease	2.40	13	12	45	19	18⅞	18⅞	– ⅛
9⅝	7⅞	AlaP dpf	.87	9.4		15	9½	9¼	9¼	– ⅛

Continued on Page 49

حلفات الأصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
25	12½	ShLghH	.75	3.6	31	442	20⅞	20⅝	20⅝	- ⅛
19	11	Shelby	.24	2.1	14	49	11⅝	11¼	11½	
82⅞	65¼	ShellT	5.10e	7.3	9	857	70	69¾	69⅞	- ⅛
31⅝	20¼	Shrwin	.64	2.3	12	184	27⅞	27¼	27¼	- ½
12⅛	6¼	Showbt	.20	3.3		103	6½	6⅜	6½	
23¾	18	SierPac	1.80	8.0	11	198	22½	22	22½	+ ⅛
34	21¼	Signet	1.40	4.3	6	104	33	32⅝	32¾	- ¼
16⅛	5½	SiliconS			9	116	11⅞	11⅝	11¾	
19⅜	15	Sizeler	1.56	9.9	15	10	15¾	15⅝	15⅝	- ⅛
18	11½	Skyline	.48	3.0	18	827	16¼	15⅞	16⅛	
10⅞	4½	Smith			2	40	8¼	8	8	
59⅞	39¾	SmkBck	1.84	3.9	11	2494	47⅞	46⅞	47¼	+ ⅜
61⅛	38	Smucker	.88	1.5	19	8	60½	60	60½	+ ¼
44⅞	24¼	SnapOn	1	2.8	14	229	36⅞	35⅝	35⅝	- ⅛
9⅞	4⅛	Snyder	.60	13.	21	105	4⅝	4½	4⅝	
18¾	13	Snydr pf2.09		15.		3	13⅞	13⅞	13¾	
31¼	21¾	Sonat	2	7.4	11	251	27¼	26⅝	26⅞	- ⅛
64¼	25⅛	SonyCp	.30e	.6	31	866	48¼	47⅞	47⅞	+ ⅜
25⅞	12¼	SooLin			142	28	24¼	23⅞	24⅛	- ⅛
39⅞	30	SourcC	3.60	9.3		34	37⅞	37½	37⅝	+ ⅛
19	16	SoJerIn	1.34	7.4	9	47	18⅛	18	18⅛	
24¼	14¼	Soudw s	.50	2.4	6	209	21⅛	21	21⅛	
26½	17¼	SoestBk	1	4.2	6	271	23¾	23⅝	23¾	+ ⅛
24¼	17⅞	SouthCo	2.14	9.7	9	2365	22	21⅞	22	+ ⅛
30⅛	23¼	SoInGs	s1.76	6.0	11	7	29¼	29	29¼	
67⅞	43	SNETl	3	5.5	11	44	54¾	53¾	54¼	+ ⅜
31	26	SoRy pf2.60		8.9		1	29⅝	29⅛	29⅛	+ ⅛
11½	7	SoUnCo	.20	2.4		35	8½	8¼	8½	+ ⅛
8	2	Soumrk				281	2⅝	2⅝	2⅝	+ ⅛
39¼	7⅞	Somk pf1.36j				24	8⅝	8⅝	8⅝	+ ⅛
23¾	6⅝	Somk pf.68j				60	7	6⅞	6⅞	- ⅛
20	11⅝	SwAirl	.13	.7	13	1146	19	18⅝	18⅞	
23¼	18¼	SwtGas	1.34	6.3	9	32	21½	21¼	21⅛	+ ⅛
41	28¼	SwBell	2.48	6.1	12	992	40⅞	40⅝	40½	- ⅛
22⅞	15⅛	SwEnr	.56	3.2	15	6	17⅜	17⅛	17⅛	- ⅛
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

2pm prices October 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

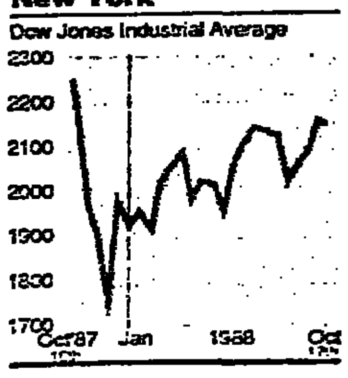
Nasdaq national market, 2pm prices October 18

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

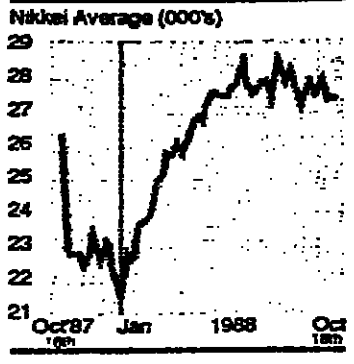
FINANCIAL TIMES

Wednesday October 19 1988

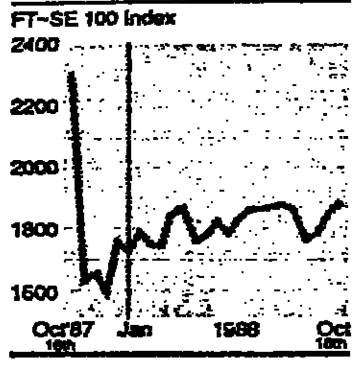
New York
Dow Jones Industrial Average



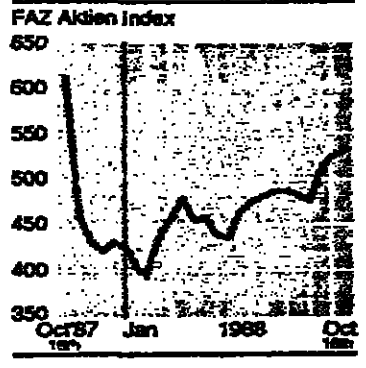
Tokyo
Nikkei Average (000's)



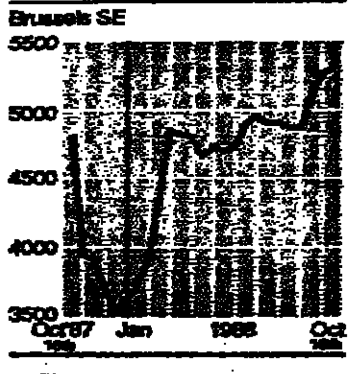
London
FT-SE 100 Index



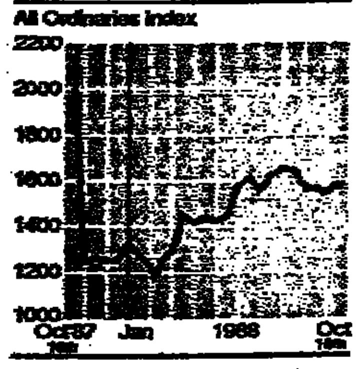
Frankfurt
FAZ Aktien Index



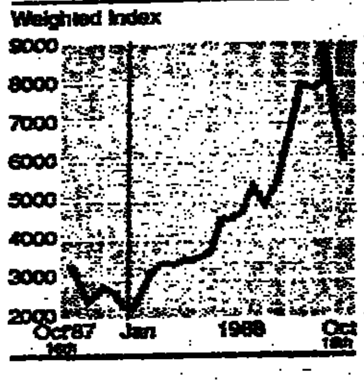
Belgium
Brussels SE



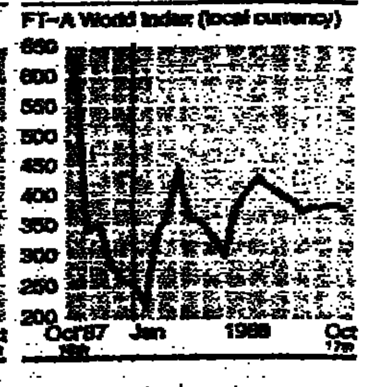
Australia
All Ordinaries Index



Taiwan
Weighted Index



Mexico
FT-A Wood index (local currency)



AMERICA

Bid speculation focuses on foods

Wall Street

FOLLOWING modest gains on Monday, equities traded again in a narrow range but the overall tendency was weaker, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 4.09 lower at 2,126.28 on moderate volume of 99m shares.

On Monday, the equity market had appeared to track movements in bond prices and moved modestly higher as bonds registered small price gains.

However, that was reversed yesterday and equities weakened marginally in line with small price losses in the Treasury market.

With no economic indicators due for release yesterday and no main figures to be released this week except for September consumer prices due on Friday, the focus of the market was on a clutch of third quarter earnings announcements and on news late on Monday that Philip Morris, the tobacco, food and drinks conglomerate, had offered $90 a share or a total of $11.5bn for Kraft, which specialises in cheeses but is also a producer of other foods.

The merger, if successful, would be the second largest ever after the $13.3bn purchase of the Gulf Oil Corporation by Chevron four years ago and would create the largest consumer goods company in the world.

Philip Morris shares yesterday dropped $5 to $95 while Kraft surged $29½ to stand at $88¼ at midsession.

The mammoth scale of the Philip Morris bid prompted interest in other consumer goods and food companies and generally fuelled the rampant takeover speculation which has boosted many share price in recent months.

In the foods sector, Campbell Soup rose $¾ to $32¾, Heinz gained $⅞ to $47¼. Hershey Foods was up $⅞ to $26⅞ and General Mills jumped $1⅝ to $54.

While the fall in Philip Morris' shares dragged down the Dow Jones Industrial Average, other food and drinks stocks included in the average counterbalanced this effect.

Coca-Cola added $¼ to $42⅞ and McDonalds was also up $¼ at $49⅝.

Among other featured stocks Warner-Lambert, the drugs company, plunged $4¼ to $72⅞ after the Food and Drug Administration's advisory panel split its vote on whether the company would be allowed to expand the labelling of its anti- cholesteral drug Lopid to specify its use in preventing coronary heart disease.

TRW fell $1⅞ to $45⅛ as analysts reacted with disappointment to the company's third quarter earnings reported on Monday.

Analysts were disappointed by the declines in the company's operating profit from the space and defence sector despite a rise in overall net income to $1.12 a share from $1.04 a year earlier.

Macmillan slipped $⅝ to $88½ after a Delaware court refused to grant a preliminary injunction against a provision in the buy-out agreement with Kohlberg, Kravis, Roberts which would allow the company to buy four Macmillan businesses if the merger were to fall through.

A number of companies announced their latest earnings yesterday.

Morgan Stanley Group added $¾ to $81½ despite its report of sharply lower earnings per share of $1.96 in the third quarter compared with $2.82 a year earlier.

The share price was boosted by news that the investment bank plans to buy back another $100m of its common shares.

Citicorp edged $¼ higher to $24⅞ after the bank announced net earnings of $1.13 a share in its third quarter compared with 71 cents a year ago.

Time Inc jumped $1¼ to $116⅝ on news of net earnings of $1.42 a share in the third quarter compared with $1.24.

MCI Communications, the telecommunications company, added $1 to $22 in over-the-counter trading after it announced sharply higher earnings per share in its third quarter of 38 cents compared with only 6 cents a share a year ago.

Canada

THE drop in the oil price hit energy stocks in Toronto, but this was largely offset by rising golds and base metal stocks.

At midsession the composite index was 5.26 lower at 3,371.54 as the number of share falling outnumbered those rising by 303 to 223.

Turnover was light at 10.8m shares, with trading curtailed to some extent by the approach of the anniversary of the crash.

Among energy issues, Imperial Oil class A lost C$⅜ to C$50⅞ and Inter-City Gas declined C$¼ to C$22⅞.

Alcan Aluminium reported a doubling of third quarter profits and was actively traded, rising C$¾ to C$37.

Among golds, Hemlo firmed C$⅛ to C$13⅞ and Corona Corp slipped C$⅛ to C$9⅞.

Class A shares of Molson, which announced the appointment of Mr Marshall Cohen as president, advanced C$⅜ to C$27⅞.

ASIA PACIFIC

New NTT sale spurs profit-taking

Tokyo

A CONTINUING lack of enthusiasm kept trading volume low in a market dominated largely by profit-taking, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average fluctuated throughout the day on a generally downward path and closed 126.76 lower at 27,141.98. The high of the day was at 27,265.15 while the low was at 27,090.00. Declines outnumbered advances by 624 to 221.

The TOPIX index of all listed stocks fell 19.39 to 2,108.66, while in London the ISE/Nikkei 50 index eased 1.59 to 1,736.57. Volume in Tokyo was again low at 403.1m shares compared with 435.96m on Monday.

A lack of guidance from overseas markets did not help in the run-up to today's anniversary of the global markets crash and the sale of the huge third tranche of NTT shares tomorrow and Friday. Concern over the outcome of a proposed capital gains tax remains.

Activity was restricted largely to profit-taking and bargain-hunting. Investors were said to be freeing their cash positions to buy NTT shares, and this led to profit-taking.

NTT closed off Y40,000 at Y2m. The third tranche of its shares will be sold at a 3.5 per cent discount to today's closing price.

Utility companies and property stocks were among those hit by profit-taking yesterday. Tokyo Electric Power declined Y160 to Y6,140. Mitsubishi Estate fell Y100 to Y2,420 and Mitsui Real Estate dropped Y80 to Y2,550.

Financial firms, which had gained significantly in the past few days, turned down. Their advance on the strength of the yen and on low interest rates had been the main force behind the rise in the TOPIX index. Daiwa Bank and Sumitomo Bank both fell Y70 to Y1,480 and Y3,350 respectively.

Steel issues, the volume leaders, mostly fell. Kawasaki Steel, most active with 33.5m shares traded, dropped Y5 to Y900 while Nippon Steel, second in volume at 29.5m shares lost Y10 to Y765.

Among the few stocks to rise were pharmaceutical companies, which were felt to be low-priced. Sankyo added Y40 to Y1,970 and Daiichi Seiyaku increased Y30 to Y2,550.

Electrical companies also performed well, helped by the break in the yen's rapid rise and the feeling that they also had been weak. The relative strength shown by US presidential candidate Mr George Bush is also said to have helped electricals. It is felt that less pressure would be put on Japan concerning trade concessions with the US should Mr Bush win the election.

Sony and Pioneer both added Y80 to finish at Y6,120 and Y3,180 respectively. Matsushita increased Y40 to Y2,330 while TDK rose Y60 to Y4,140. Toshiba advanced Y5 to Y1,000 and Hitach gained Y10 to Y1,500.

Profit-taking in Osaka hit share prices and the OSE average lost 153 to 25,240.82. Volume fell to 27.4m shares compared with 44.93m on Monday.

Roundup

LOSSES in Tokyo left the Asia Pacific markets unsettled, although strong commodity prices kept Australia ahead in the face of profit-taking.

AUSTRALIA continued to benefit from firmer commodity prices, but late profit-taking and Tokyo's fall brought shares off the day's highs. The All Ordinaries index ended 4.8 higher at 1,571.7 after touching 1,576.8. Turnover was 95m shares worth A$160m.

Among industrials Elders IXL fell 2 cents to A$3.37 after launching its bid for Scottish & Newcastle Breweries in the UK. After the market closed Elders announced that it is seeking shareholder approval to buy back as much as 10 per cent of its capital.

HONG KONG was lifted by takeover speculation in the hotels sector but nervousness before today's market holiday and the first anniversary of last October's crash left shares slightly weaker by the close. The Hang Seng index ended 3.15 lower at 2,590.41.

The day's bid rumours were sparked by the opening suspension of three stocks – Hongkong and Shanghai Hotels, Regal Hotels and Cathay City. There was no immediate explanation for the move, but after the market closed Cathay – a subsidiary of Century City Holdings – announced that it was ready to make an offer for Hongkong and Shanghai of HK$6 per share. The approach was immediately rejected.

SINGAPORE shrugged off Tokyo's losses as bargain buying and institutional demand sent shares higher. The Straits Times industrial index closed 13.02 higher at 1,016.09.

TAIWAN showed no signs of pulling out of its nosedive, and the weighted index fell 140.24 to 5,998.08.

NEW ZEALAND recorded its best day for several weeks yesterday on the eve of the anniversary of the 1987 crash, which wiped 590 points off the Barclay share index in one session, *writes Dai Hayward in Wellington.*

The index, which has seesawed between 1,920 and 2,000 for the past year, rose above the 2,000-mark for the first time in a month, closing up 13 at 2,004. More than 17m shares changed hands compared with the daily average of just 5m-6m for the past 9 months.

Brierley Investments, the flagship of the New Zealand-based international investment group, was again the most active issue with 1.7m shares traded, adding 2 cents to NZ$1.39. The biggest riser was newspaper group Wilson and Horton, up 8 cents at NZ$5.98.

Since the stock market crash, 17 New Zealand companies have failed and many others are struggling to survive with losses of millions of dollars. The market's capitalisation, which stood pre-crash at NZ$50bn ($31bn), has fallen to NZ$20bn.

Domestic investors, who suffered severely in the crash, have yet to regain full confidence in the market and have not returned in any great numbers. Most demand in New Zealand has been for leading shares, particularly those companies with international trading operations.

Brokers hope that recent favourable economic news, including the lowest inflation figure for 20 years, announced a few days ago, should help bring more confidence and activity back to the market.

EUROPE

Overseas demand boosts turnover

VOLUMES picked up in Paris, Frankfurt and Milan as foreign investors continued to snap up blue chips, especially the underperformers. The approach of the anniversary of the crash today was on people's minds, but appeared not to dissuade the bargain hunters, *writes Our Markets Staff.*

FRANKFURT was driven to a new high for the year by strong demand for car stocks, which have largely underperformed the market post-crash.

Daimler was sought by both foreign and domestic buyers, racing ahead by DM19 to DM732.50. BMW, which like Daimler has underperformed the FAZ index over the past 11 months, added DM12 to DM524. VW, which according to Phillips & Drew has outperformed the FAZ by about 12 per cent over the same period, rose 70 pfg to DM308.50, having climbed to DM312.

The session saw some profit-taking in relatively active trading, with demand focusing on blue chips. The DAX real-time index closed up 12.8 at a 1988 high of 1,295.79, having risen to 1,302.89, and the FAZ index was 6.66 higher at 534.69. Turnover in German shares climbed to DM4.84bn worth of shares.

PARIS had to cope with an electricity strike which interrupted business for over an hour in early trading, but equities finished higher, with the OMF 50 index up 2.45 at 394.09.

The CAC General index opened the session 2.3 weaker at 378.3. Total turnover remained on the weak side.

The ¼ point rise in the intervention rate yesterday was generally welcomed by the market, which had feared a ½ point rise, said one analyst.

Metals group Vallourec, an underperforming issue, was one of the biggest movers, gaining FFr16.30 to FFr198.80, while engineering issue Dumez put on DM13.50 to DM196 as 87,000 shares changed hands.

Speculative stories remained in the market but, with much of the interim reporting season over, attention was turning again to currencies, interest rates and inflation, said analysts. Sentiment remained bullish, however, and foreign interest was strong.

MILAN maintained its recent strength as firm overseas and local demand at the start of the new account sent shares to another new year-high. "People have been underweight in Milan recently and there is now a mass of money pushing prices ahead," said one London trader. The Comit closed up 13.27 at 590.35.

Blue chips were most in demand, but Ferruzzi Finanziaria was a rare faller, losing L54 to L2,850 after Montedison shareholders began selling their rights to buy Ferruzzi shares. The news that French group Paribas had bought 1.5 per cent of Ferruzzi failed to stop the sale of the rights, which were granted under a secondary offering by Ferruzzi. By the close the rights were trading at L17, well down on the opening price of L30.

"If Montedison shareholders don't sell their rights they are locked into buying the shares. But with the market going the way it is investors can see plenty of safer, more attractive stocks than Ferruzzi," explained one analyst.

ZURICH had another uninspiring day, with shares supported by the firmer dollar but sentiment slightly unsettled before today's first anniversary of the 1987 crash. The Crédit Suisse general index closed unchanged at 494.5.

The market managed to ignore a forecast from a former Union Bank of Switzerland chief economist that the Swiss market will lose 20 per cent of its value before the start of next year. However, the forecast did not depress sentiment, as was feared, and UBS quickly moved to disassociate itself from the analysis.

Hoffmann-La Roche came under pressure before the start of trading because of controversy over its US anaesthetic drug Versed. The market was worried by the news that a congressional committee had criticised Roche for failing to report important safety information about the drug before it was approved. However, the story appeared to have little impact on investors and Roche closed unchanged at SFr12,750.

AMSTERDAM closed steady after a quiet session with only the strength of the dollar against the guilder to cheer sentiment. By the close the CBS all-share index was unchanged at 100.2.

Confectioner Verkade was up Fl 7 at Fl 331 as takeover speculation persisted. On Monday Verkade issued about 670,000 preference shares as a defence against a possible hostile bid.

STOCKHOLM closed slightly lower on profit-taking. There was some brisk trading and turnover reached SKr265m worth of shares. SCA, the forestry group, was suspended in the morning and later revealed that it had acquired a majority stake in Laakirchen, the Austrian paper and hygiene products company.

BRUSSELS had a thin session with shares narrowly mixed in the absence of any fresh factors. Wagon-Lits, the tourism group facing speculative interest, closed BFr40 lower at BFr6,610 after recent strong gains, with 51,000 shares changing hands in the session and further interest seen off-bourse.

MADRID managed to shake off worse-than-expected inflation figures for last month and the general index climbed 0.93 to 285.63.

SOUTH AFRICA

GOLD shares closed firmer as bullion traded just above $411 an ounce.

Randfontein gained R5 to R275 but Vaal Reefs was R1 lower at R280. Diamond issue De Beers rose 75 cents to R44.25 and in platinums, Rustenburg rose R1.75 to R43.25 and Lydenburg R3 to R43.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 17 1988					FRIDAY OCTOBER 14 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	144.96	+1.0	122.95	119.07	4.11	143.55	121.16	117.72	152.31	91.16	158.58
Austria (17)	93.02	+0.8	78.89	87.54	2.42	92.26	77.87	86.99	98.18	83.72	100.84
Belgium (63)	126.94	+0.0	107.67	120.06	4.21	126.88	107.10	120.16	139.89	99.14	108.80
Canada (126)	123.42	+0.1	104.68	107.64	3.13	123.25	104.03	107.63	128.91	107.06	115.10
Denmark (39)	139.20	+1.0	118.06	132.19	2.27	137.88	116.38	131.27	139.20	111.42	118.50
Finland (26)	117.28	+0.0	99.47	105.34	1.58	117.31	99.02	105.89	139.53	106.78	–
France (130)	101.47	–1.2	86.07	98.45	3.30	102.70	86.68	99.68	102.70	72.77	92.79
West Germany (102)	83.53	–0.1	70.85	78.67	2.36	83.64	70.59	78.81	83.64	67.78	92.03
Hong Kong (46)	106.31	+0.0	90.17	106.61	4.73	106.27	89.69	106.60	111.86	84.90	133.50
Ireland (18)	139.50	+0.7	118.31	133.26	3.78	138.58	116.96	132.61	144.25	104.60	145.37
Italy (100)	81.03	+1.5	68.72	81.69	2.46	79.82	67.37	80.54	81.74	62.99	90.37
Japan (456)	168.44	+0.1	142.86	135.49	0.54	168.34	142.09	135.25	177.27	133.61	147.90
Malaysia (36)	133.64	+0.5	113.35	137.86	3.08	132.94	112.21	137.09	154.17	107.83	152.53
Mexico (13)	150.97	–0.5	128.05	377.08	1.44	151.75	128.09	379.04	180.07	90.07	352.93
Netherland (38)	107.56	+0.1	91.22	100.24	4.86	107.42	90.67	100.14	110.66	95.23	105.52
New Zealand (26)	72.94	+0.7	61.86	61.84	6.35	72.43	61.13	61.32	64.05	64.42	124.28
Norway (25)	116.39	+0.5	98.72	105.73	2.71	115.83	97.77	105.61	132.23	98.55	163.52
Singapore (26)	117.34	+0.5	99.52	109.28	2.49	116.70	98.50	108.70	135.89	97.99	142.78
South Africa (60)	109.72	+0.9	93.06	97.06	4.43	108.79	91.83	96.08	139.07	98.26	192.64
Spain (42)	146.27	+0.5	124.06	132.92	3.02	145.48	122.80	132.31	164.47	130.73	162.01
Sweden (35)	127.93	–0.2	108.51	117.99	2.42	128.20	108.21	118.47	128.20	96.92	124.02
Switzerland (56)	81.11	–0.2	68.80	76.97	2.19	81.28	68.61	77.10	86.75	74.13	95.78
United Kingdom (322)	135.78	+0.6	115.16	115.16	4.56	135.02	113.96	113.96	141.18	120.66	143.68
USA (582)	112.82	+0.3	95.69	112.82	3.54	112.51	94.96	112.51	113.64	99.19	92.83
Europe (1013)	111.11	+0.3	94.24	100.30	3.69	110.83	93.54	99.86	111.11	97.01	116.57
Pacific Basin (681)	164.94	+0.1	139.90	133.51	0.76	164.79	139.09	133.23	172.26	130.81	147.70
Euro-Pacific (1694)	143.44	+0.1	121.66	120.17	1.68	143.23	120.89	119.83	147.53	120.36	135.29
North America (708)	113.38	+0.3	96.16	112.52	3.52	113.07	95.44	112.23	114.16	99.78	94.04
Europe Ex. UK (691)	95.69	+0.0	81.17	91.19	2.97	95.69	80.77	91.24	95.69	80.27	99.71
Pacific Ex. Japan (225)	122.88	+0.7	104.22	108.78	4.31	122.08	103.04	107.97	128.27	87.51	145.49
World Ex. US (1893)	142.41	+0.1	120.79	119.63	1.75	142.20	120.03	119.30	146.49	120.26	135.32
World Ex. UK (2153)	130.49	+0.2	110.67	117.48	2.10	130.29	109.97	117.24	131.77	111.77	116.44
World Ex. So. Af. (2415)	131.07	+0.2	111.17	117.38	2.31	130.83	110.42	117.06	132.39	113.26	118.40
World Ex. Japan (2019)	112.98	+0.3	95.82	108.16	3.62	112.66	95.09	107.78	112.98	100.00	104.98
The World Index (2475)	130.94	+0.2	111.06	117.25	2.33	130.69	110.31	116.92	132.38	113.37	118.88

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.